Registration number: 09333067

Survitec Acquisition Company Limited

Annual Report and Financial Statements

for Year Ended 31 December 2020

Survitec Acquisition Company Limited

Contents

Survitec Acquisition Company Limited

Company Information

Directors	R C A Leclercq
	R M Krisanda
Company secretary	J Henley-Price
Registered office	The Aspect, Fourth Floor 12 Finsbury Square London EC2A 1AS
Solicitors	Latham & Watkins LLP 99 Bishopsgate London EC2M 3XF
Independent Auditors	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH

Survitec Acquisition Company Limited

Strategic Report for the Year Ended 31 December 2020

The directors present their strategic report on Survitec Acquisition Company Limited (the "Company") and its subsidiaries (the "Group", "Survitec") for the year ended 31 December 2020.

The Vision for the Group is "To be the world's most trusted company for critical safety and survival solutions" and our Purpose is "We exist to save lives".

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

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

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

The Group Strategy is to:

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

Section 172(1) statement

Directors' Duties
The directors of Survitec Acquisition Company Limited must act in accordance with a general set of duties. These duties are detailed in section 172 of the UK Companies Act 2006 which is summarised as follows:

When making decisions, the Directors of a company must act in the way they consider, in good faith, is most likely to promote the success of the Company for the benefit of its members as a whole and, in doing so, have regard to:

a) likely consequences of any decisions in the long term;
b) interests of the company's employees;
c) need to foster the company's business relationships with suppliers, customers and others;
d) impact of the company's operations on the community and environment;
e) desirability of the company maintaining a reputation for high standards of business conduct; and
f) need to act fairly between members of the company and consistent with its values.

In discharging their duties, the Directors have had regard to the factors set out above, as well as other factors relevant to the decisions being made.

Section 172(1) statement (continued)

Directors' Duties (continued)
Throughout the year, the directors recognised their responsibility to act in good faith to promote the success of the Company for the benefit of shareholders, while also considering the impact of their decisions on wider stakeholders and local communities. Clear communication and proactive engagement with all stakeholders is an essential requirement, ensuring issues and factors which are most important to all parties are understood.

The Board acknowledges that every decision made will not necessarily result in a positive outcome for all stakeholders. By considering our Values, together with our strategic priorities, the Board aims to ensure that the decisions made are consistent and intended to promote the Company's long-term success.

Leadership
A financial restructuring was successfully completed in 2020 with new anchor shareholders M&G Investments, Searchlight Capital and CQS taking over 75% of Survitec's equity.

This year saw the completion of the new executive management team and the Board, with a new governance structure introduced to strengthen corporate governance, oversight, compliance, reporting and the development and execution of a growth strategy.

The business is currently implementing a number of Group wide transformational programmes to establish the foundation for future revenue growth. The transformation programmes were introduced by management to create a customer focused business with a single scalable operating platform across its people, processes and systems.

The directors recognise that the transformation programmes are at an early stage, and whilst progress to date has been made, it is recognised that rigorous Board oversight, detailed project management and continuous review will be required over the entirety of the programmes, to ensure a successful outcome and mitigate any execution risk.

The improvements were introduced by management with the aim of benefiting the business with the following:

- Introduce simplified and standardised ways of working throughout the Group
- Build strong relationships with target customers
- Innovate and improve our portfolio of products to create customer value
- Improve service delivery and reduce product costs
- Optimise manufacturing
- Improve working capital by implementing the Hub and Spoke supply chain model
- Meet customers' needs, on time and in full
- Reduce direct and indirect costs
- Integrate and simplify the Group IT environment

The transformation plans delivered in year benefits, with further benefits to be delivered as the initiatives continue to be rolled out and executed, helping to improve the Group's profitability year on year.

The impact of the COVID-19 pandemic was partially mitigated by the rapid response by management to control costs, preserve cash and utilise government support programmes. The Group was also able to leverage its manufacturing capabilities during this time to diversify its operations to secure new business within the health protection market.

Section 172(1) Statement (continued)

Leadership (continued)
The Group reduced its operating loss from £245,584,000 for the year ended 31 December 2019 to £11,105,000 for the year ended 31 December 2020. Despite the COVID-19 pandemic, the business grew Adjusted EBITDA (defined as operating profit/(loss) before depreciation, amortisation, impairment of property, plant and equipment and intangible fixed assets and impairment of goodwill) from £12,628,000 for the year ended 31 December 2019 to £23,365,000 for the year ended 31 December 2020, thereby demonstrating the resilience of the underlying business, initial benefits of the transformation programmes and the impact of the rapid COVID-19 response initiatives taken by the Management team.

Looking forward, the Group has a well-developed operational Marine, and Aerospace and Defence strategy plan for 2021-2025 which is based on 4 key areas:

• People: Strong leadership team, with capable and motivated colleagues focused on targets
• Customer centricity: Commercial model that designs and delivers value to customers who are driven by safety, compliance and reputation
• Operational excellence: Differentiate through best in class service and high quality products, at competitive prices
• Leading technology: Having fully integrated technology systems in place

Underpinned by a well-diversified loyal customer base, Survitec is well-placed to defend its position within its current markets and grow in new customer segments and markets.

Customer engagement
As part of the Group transformation programmes, Global Sales and Commercial functions have been established. These functions are focused on account management, to deepen the customer relationship and provide regular and timely feedback on our products and services, enabling the business to continue to develop and provide best in class products and services that address our customers' needs.

<u>Our People</u>
At Survitec, we pride ourselves in being a people led business. Our values of safety, people, customers, integrity, excellence and innovation, guide our actions, decisions, behaviours, and how we engage with each other and our customers. Our people living our values is what gives us our competitive advantage. In 2020, the Group continued to pursue its ambition to become an employer of choice and made significant strides across a range of programmes to attract, retain, develop and reward its people.

Attracting the highest calibre talent
We welcomed 582 new colleagues to the Group and developed competency frameworks for recruitment, while improving our hire to retire processes and strengthening our ability to attract and retain the right talent. We updated our Survitec website careers pages with a refreshed view on new people-focused content and narrative to provide prospective colleagues with a robust view of working life at Survitec, mutual expectations and values.

Building a One Survitec culture
The Group continued to build a One Survitec culture, one in which our global workforce engage together in a one team approach, to support each other and our customers. 2020 saw us launch a comprehensive communication and engagement programme that delivered over 250 communications, via a variety of channels, with messaging focused around our people, values, vision and company goals.

The Group celebrated the 100th birthday of our founding company, RFD, with over 100 online and offline celebrations held across all of our sites globally to celebrate our history of world firsts, build pride in the organisation, and more crucially thank our people for living our values and working every day to deliver on our vision.

Section 172(1) statement (continued)

Our people (continued)
In 2020 we launched our Diversity & Inclusion (D&I) Policy and Promise as we continue to cultivate an inclusive culture where our people feel valued, appreciated, and free to be who they are at work. To support the implementation of the D&I Policy & Promise, we launched the D&I Committee tasked with growing the diverse representation of our workforce, promoting an inclusive workplace and being a place where all colleagues have the opportunity to achieve their goals and meet the needs of our customers.

Training & developing our people
We continued to focus on providing training and developing opportunities for colleagues and delivered a range of training and development programmes including training on: Marine Products, Compliance, Ethics, PVV (Purpose, Vision, Values), Sales Excellence amongst many others. In total over 37,000 training courses were completed across the Group. In 2020, we launched our Engaging Managers Programme, to equip all leaders and managers across the Group, with the skills and know-how to successfully navigate change and effectively lead their teams. In recognition of balancing workload pressures and the shift towards remote working, we rolled out an additional module of 'Self-Management and Wellbeing'. In 2021, we will continue to roll out the programme with every manager across the business due to complete the training. We continued to improve our Performance and Development review process, with new processes and training launched to ensure all employees are clear of what is expected of them and get regular feedback and support on their performance.

Rewarding our people
Towards the end of the year, we launched our new Reward & Recognition Programme, the Survitec Excellence Awards, which recognise and reward excellence across the organisation for colleagues going the extra mile in their daily work and for living and breathing our values. The programme is made up of two schemes. The Thank You Awards are awarded monthly and enable our people to say thank you to another colleague for going above and beyond to support each other, our customers and our organization. The Values Awards are awarded quarterly and are an opportunity for line managers to reward and recognise members of their team who have exceeded in demonstrating one or more our values.

In addition, we redesigned our executive bonus scheme to better incentivise and align performance to the Group Strategy and Values.

Business Relationships
Our customers span a number of markets including Defence, Maritime, Aviation and Oil and Gas and include both private and Government bodies that require safety equipment that is critical to the safety of their staff and customers. We regularly liaise with our customers to ensure our products are of the highest standards and meet the critical requirements of the customer and the end user. Without meeting and maintaining such standards we would lose our competitive position in the markets in which we operate. We work collaboratively with customers to ensure changes in legislation for safety equipment are appropriately incorporated into the goods and services we supply.

In 2020, Survitec actively worked with suppliers on goods or services critical to the effective operation of our entire value chain - from product development to manufacturing and the supply of our safety equipment to customers. We engaged with suppliers on a regular basis to ensure a mutually beneficial partnering arrangement for goods and services.

The Board and management maintain a regular and constructive dialogue with investors and relationship banks to communicate the Company's strategy and performance in order to promote investor confidence and ensure continued access to capital. In addition to the stakeholder considerations, the Board has also had regard to the pension trustees and other factors such as environmental impact and community interests.

Section 172(1) statement (continued)

Community and Environment
Please refer to the Environmental and Sustainability Report below.

Risk Management
Our risk management process is designed to identify key risks and to provide assurance that they are fully understood and managed in line with management's risk appetite.

The Board has overall responsibility for risk management and internal controls, and for reviewing their effectiveness. Certain responsibilities have been delegated to the Audit and Risk Committee. The Board is chaired by an Executive Chairman and is appointed by the shareholders and the Audit and Risk, Compliance and Remuneration committees are chaired by independent non-executive directors.

The risk management process is embedded at the business unit level and is supported by the bottom-up risk process within each business units. The executive maintains an overall Group risk register, which is reviewed four times a year by the Audit and Risk Committee and is formally discussed with the Board.

To support risk discussions, the Group risk register captures the Group risks to achieving Survitec's objectives and identifies the potential impact and likelihood at both a gross and net level. The business unit leadership teams review each of the business unit risks regularly through an annual risk deep dive process. The updated risk assessments and the changes are then discussed at the Audit and Risk Committee.

The executive requires a quarterly certification from the top 200 leaders in the organisation that they are responsible for managing their business objectives and internal controls to provide reasonable, but not absolute, assurance that the risks in their areas of responsibility are appropriately identified, evaluated and managed. This is reported quarterly to the Audit and Risk Committee. Internal Audit and Risk provides the Audit and Risk Committee with a risk management update at each meeting. Any issues identified by this process are formally logged, with remediation actions to address them.

The Board receives updates on risk management and internal controls from the Chair of the Audit Risk Committee. The Audit and Risk Committee assesses the effectiveness of the internal controls on an ongoing basis.

Shareholders and Lenders
The Directors are committed to openly engaging with the shareholders and lenders, as the importance of a continued and effective dialogue is recognised. It is important to the Directors' that the shareholders and lenders understand the strategy and objectives of the Group, so these must be explained clearly, with the option for feedback or any other issue raised being properly considered.

Environmental and Sustainability

Embracing the principles of caring for our environment
Survitec is committed to doing everything we can to operate in a way which is both environmentally friendly and ecologically sustainable. Our immediate focus is to make regular and continuous improvements, embracing the environmental challenge and continuously looking for opportunities to better our environmental performance. We are taking a proactive approach with our employees, customers and suppliers ensuring that the principles of caring for the environment and sustainability are embedded in our business. In the year we introduced an environmental initiative to reduce the use of single use plastic bottles across the business by providing all employees with a reusable alternative. We aim to make a positive contribution to protecting the environment - by tackling what we can, where we can as well as educating and encouraging best practice throughout our company.

Section 172(1) statement (continued)

Governance
Our current ISO 14001 approved Management System is being enhanced and extended to include all non-accredited sites and offices across Survitec's Global operations, implementation will be completed in 2021.

Strategy
Investment in new technology that reduces size, weight and power consumption of products and carbon emissions is an important differentiator in the Group's markets. Areas of focus are potential use of lightweight buoyancy materials, recycled rope materials and carbon fibre.

Risk management
As part of Survitec's commitment to an enhanced Environmental Strategy, we have begun to develop new Global Operational Controls, (IAW ISO 14001), that will make up one third of the Integrated Management System that mandates annual Environmental Management Reviews. These reviews are conducted at Operational, Regional and Group levels to ensure local, national and international regulatory, socio-economic and environmental risks are identified and prioritised for action.

Guaranteed compliance and effective audit programme
We have introduced a measurement and auditing programme to align our practices with environmental regulations and best practices in all areas of activity. For example, we are compliant with and accredited to the latest ISO 14001 international standard at all our manufacturing facilities across the world. This policy also sets out the requirements to comply with legislation and other environmental requirements.

Actively support pollution prevention
As part of our ISO 14001 accreditation, we perpetually monitor our emissions, waste and product recyclability to ensure we constantly improve our environmental performance. We continue to support the principle of pollution prevention in order to reduce any adverse environmental impacts. We are also committed to respond to any incidents quickly and effectively to reduce the risk to people and the environment.

Waste reduction measures
We endeavour to reduce waste at source and to encourage reprocessing and recycling wherever possible and practical. Furthermore, we ensure that any waste that does arise is treated and disposed of with minimum impact to the environment.

Fair review of the business

Survitec is a resilient business with long term customer relationships which are supported by strong regulatory frameworks and by incumbent positions on major platforms.

The Group operates across a number of safety and survival markets and generated turnover for the year ended 31 December 2020 of £348,831,000 (31 December 2019: £378,664,000) for a range of services and solutions to the marine, and aerospace and defence markets. The Group's customers are principally larger organisations and enterprises who require robust and resilient solutions to meet the critical operational demands presented in the environments to which they are exposed. To best serve these markets and customers, the Group is organised into two business units, Marine, and Aerospace and Defence.

Fair review of the business (continued)

The respective key strengths and characteristics of these divisions are:

Marine
• Global market leader in the provision of products and services across the full Marine Safety portfolio (liferafts, marine evacuation systems ("MES"), suits, jackets, fire systems, lifeboats);
• High barriers to entry due to regulatory requirement for Original Equipment Manufacturer (OEM) servicing in marine evacuation systems and liferafts;
• Long term, blue chip customers have an installed base of products supported by a reputation for quality;
• Global offering delivered through over 400 locations; and
• Track record of market leading innovation.

Aerospace and Defence
• Domain expert in lifesaving equipment;
• Strong relationships with leading NATO forces and major Defence Primes;
• Sole source on key US / NATO platforms (ejection-seat aircraft) including F35, Typhoon;
• Gaining sole source positions on key submarine platform for submarine escape and immersion equipment ("SEIE") (US & UK), with 10 year replacement cycles; and
• Development of new healthcare products within the personal protection market.

The Group benefits from long term contractual relationships with its customers which are generally global in nature and operate across a range of sectors. This provides a degree of both sector and geographic diversification which generates more stability in short term revenue and a platform for sustainable growth aligned to global trends in a number of market sectors in the medium to longer term.

Key performance indicators - Company
The key performance indicator is the net asset/liability position. As at 31 December 2020, the Company had a net liability position of £62,221,000 (31 December 2019: £828,670,000). The reduction in the net liability is as a result of the refinancing exercise (mentioned below) leading to a substantial modification of debt, leading to a reduction in interest charges.

Key performance indicators - Group
The key performance indicators are turnover and operating profit/(loss) before depreciation, amortisation, impairment of property, plant and equipment and intangible fixed assets and impairment of goodwill (Adjusted EBITDA).

Adjusted EBITDA for the year to 31 December 2020 was £23,365,000 (31 December 2019: 12,628,000) and is calculated as follows:

	Year ended 2020 £ 000	Year ended 2019 £ 000
Operating loss	(11,105)	(245,584)
Add back: Depreciation and amortisation	34,603	62,657
Add back: Impairment of goodwill	-	32,886
Add back: Impairment of intangible assets	10,812	122,726
Add back: (Reversal of)/impairment of property, plant and equipment	(10,945)	39,943
Adjusted EBITDA	23,365	12,628

Fair review of the business (continued)

The results for the Group show that turnover for the year is down on the prior year, as a result of lower after-market revenues across the EMEA and Americas regions due to the COVID-19 pandemic. The Group's overheads have reduced as a result of the rapid COVID-19 cost saving measures implemented by management and the commencement of the Group wide transformational programmes.

The profit before tax for the year to 31 December 2020 was £96,091,000 (31 December 2019: loss £307,874,000). In addition to the above on Adjusted EBITDA, the movement in the loss before tax is driven by a substantial modification of debt amounting to a credit of £159,285,000 to the income statement, a decrease in the depreciation charge for the year of £9,653,000 (31 December 2019: £21,321,000), an impairment charge on goodwill of £Nil (31 December 2019: £32,886,000), an impairment charge on intangible assets of £10,812,000 (31 December 2019: £122,726,000), an impairment reversal on property, plant and equipment of £10,945,000 (31 December 2019: impairment charge £39,943,000), offset by a loss on foreign exchange costs on foreign currency borrowings of £6,838,000 (31 December 2019: gain, £14,830,000).

During the year, Management was focused on key operational challenges that impacted the business as a result of the COVID-19 pandemic. There has been a major focus on the businesses cost mitigation and cash preservation to maximise liquidity, so that the Group could fund future growth and maintain a strong underlying balance sheet. To ensure that the Group can maintain its strong position in the global marketplace, the Group invested in new and existing product development and research programmes. During the year, the Group has expensed £135,000 (31 December 2019: £301,000) on research programmes and has also capitalised £5,197,000 (31 December 2019: £5,170,000) in respect of development projects, please refer to note 15.

Net cash inflows from operating activities for the year ended 31 December 2020 amounted to £22,571,000 (31 December 2019: £27,194,000).

The Consolidated Statement of Financial Position shows a net deficit position as at 31 December 2020 of £161,915,000 (31 December 2019: £784,937,000). This improvement is as a result of the refinancing activities mentioned below, profit in the year of (£90,763,000) (31 December 2019: loss £267,611,000), offset by losses within Other Comprehensive Income of £1,016,000 (31 December 2019: £8,275,000).

There were bank loans of £152,263,000 as at 31 December 2020 (31 December 2019: £462,205,000) and amounts owed to group companies of £220,342,000 (31 December 2019: £499,914,000) as described in note 25.

The average number of full-time equivalent employees for the year ended 31 December 2020 has decreased by 63, from 2,973 to 2,910.

Fair review of the business (continued)

Refinancing activity
During the year, a refinancing activity was undertaken with lenders to improve the capital structure of the Group. The details of the financial restructuring were agreed on 22 November 2019 and the key transactions occurred in 2020. The new facilities provide the Survitec Group with the liquidity to meet its financial obligations over the twelve months period from the date of signing these financial statements and, in particular, to fund the business plan prepared by Survitec's Management team and approved by the Board.

Following the financial restructuring external debt was reduced from approximately £467,000,000 to £135,000,000 (only £35,000,000 of the £75,000,000 new money facility was drawn as at 31 December 2020) and shareholder debt in the Ark Topco Group was reduced to £nil from £500,000,000. Monies owed to Ark Topco Limited from Survitec Acquisition Company Limited totalled £216,541,000 at 31 December 2020.

The Group concluded a further process of refinancing in March 2021. The total amount borrowed was £270,000,000 over 6 years, with £160,000,000 used to refinance existing debt and the remainder to finance an acquisition within the Survitec Group.

Principal risks and uncertainties
We define a principal risk as a risk or combination of risks that would threaten the business model, future performance, solvency or liquidity of Survitec. In addition to these principal risks, we continue to be exposed to other risks related to strategy, quality, IT, health & safety, supply chain, compliance & legal, operations, change management and people. These risks are subject to our normal procedures to identify, implement and oversee appropriate mitigation actions, supported by internal audit work to provide assurance over the status of controls or mitigating actions.

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

• Risk drivers: The markets in which the Group operates, react to global and industry specific macro-economic trends, such as Government defence spending, global oil prices and regulatory requirements.

• Impact: Increase in customer sales lost to competitors.

• Mitigation: The Group 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 risk is additionally offset by a broad, highly regulated product, a geographical portfolio and management of the Group's cost base.

Principal risks and uncertainties (continued)

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

• Risk drivers: 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.

• Impact: The pandemic has had a mixed impact on the Group's operations during 2020. Although certain industries in which the Group operates, specifically the cruise ship sector have seen a decline in activity, other opportunities have been realised across the group's diverse range of capabilities.

• Mitigation: We worked closely with our customers to manage the effects of the downturn in their respective markets and assist in a recovery. Although the Group has utilised government support during the crisis, employee safety and welfare have been Management's highest priority. To maintain a consistent and reliable manufacturing output, the Group has redefined its working patterns and formed workforce "bubbles" to support the changing needs of its people. Please refer to the Going Concern statement within the Directors Report for further details.

Brexit - The United Kingdom's exit from the European Union

In June 2016, the United Kingdom (UK) voted to withdraw from the European Union (EU). On 31st January 2020 the UK left the EU and entered into a transitional period. During this period the UK remained within the EU's single market and customs union. The UK continued to follow the EU's rules and its trading relationship with the EU remained unchanged. The transition period ended on 31st December 2020.

The transition period and other aspects of the UK's departure from the EU were agreed in the Withdrawal Agreement. This agreement provided for trade on World Trade Organisation (WTO) terms at the end of the transition period, in the absence of a trade agreement, and for Northern Ireland to remain within the EU single market for goods beyond the end of the transition period.

The UK and EU signed a Trade and Cooperation Agreement (TCA) on 30th December 2020. This agreement broadly provided for a zero tariff, zero quota arrangement for goods produced in the UK and the EU.

For Survitec's businesses based in Northern Ireland, Great Britain and the EU the TCA and Northern Ireland Protocol has meant goods originating in the UK or EU can be traded between the UK and EU without import duties applying. For goods that do not originate in the UK and EU, Survitec has been adapting its supply chain to mitigate incremental costs resulting from import duties applying. This has included operating special customs duties reliefs and reducing the number of cross-border movements.

In addition to potential tariffs, goods moving between the UK and the EU from 1st January 2021 are also subject to export and import formalities. Survitec has partnered extensively with freight carriers to support the movement of goods between the UK and EU. The cross-border transfer of goods has introduced additional administration for Survitec, and the existence of enhanced border controls also increases the possibility of disruption to the supply chain.

To mitigate the impact of disruption caused by enhanced border controls, Survitec undertook stock buffering and planned for alternative channels. As border infrastructure, border agency systems and knowledge of importing and exporting improves over 2021 the risk of delays and disruption is expected to ease.

Principal risks and uncertainties (continued)

Warranty risk

As the Group's activities include the development of critical safety products, if a product failed to operate as designed, this could expose the Group to warranty claims from customers and other affected parties. There could also be other repercussions if there was injury or loss of life due to product failure. The Group manages this risk through a thorough FMEA (Failure Mode Effect Analysis) and product design and evaluation process. This includes extensive testing of the products to ensure that they are fit for purpose prior to entry into service, this will also include obtaining the appropriate certifications from regulatory authorities.

As part of Management's ongoing operational reviews, additional assessments were performed and modelled to consider the risk of product warranty matters and additional warranty provisions of £86,000 (31 December 2019: £2,060,000) were recognised. A total of £983,000 (31 December 2019: £4,608,000) was utilised and a total of £25,000 (31 December 2019: £1,159,000) was released to the Income Statement, and there remained a warranty provision of £10,981,000 at the year-end (31 December 2019: £11,845,000).

Please refer to note 27 for additional information.

Future developments

Looking forward to future financial periods, there are revenue growth and cost reduction opportunities for the business to pursue both organically, inorganically and through new and existing product development. There are transformational programmes progress 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 Group will invest in the continued integration of manufacturing and supply chain operations, giving the business the opportunity to meet customer demands while reducing cost and improving working capital management.

Management recognise that the delivery of the transformation programmes are a key enabler for the future development of the Group and therefore the risk associated with non-delivery. The Group continuously monitor and oversee the delivery of the transformation programmes and therefore the risk.

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

Events after the reporting period

Intention to Acquire Hansen Protection ASA
On 16 March 2021, Survitec signed an agreement to acquire 100% of the issued shares in Hansen Protection ASA, a company based in Norway. The transaction is expected to complete in May 2021. The financial effects of this transaction have not been recognised at 31 December 2020. The provisional amount of consideration is £100,000,000.

At the time when the financial statements were authorised for issue, the Group had not yet completed the acquisition of Hansen Protection ASA nor commenced the acquisition accounting exercise. Fair values of the assets and liabilities have not been determined because the independent valuations have not been finalised. It is also not yet possible to provide detailed information about each class of acquired receivables and any contingent liabilities of the acquired entity.

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

A Revolving Credit Facility of £27,500,000 has been negotiated and approved by the Bank's Credit Committee in March 2021.

Approved by the Board on 1 April 2021 and signed on its behalf by:

....	....
R C A Leclercq	R M Krisanda
Director	Director

Survitec Acquisition Company Limited

Directors' Report for the Year Ended 31 December 2020

The directors present their report and the Financial Statements for the year ended 31 December 2020.

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

R C A Leclercq

S K Devani (resigned 6 October 2020)

J Gething (resigned 19 February 2020)

M B V Whittaker (resigned 6 October 2020)

R M Krisanda (appointed 19 February 2020)

I P Plumb (appointed 19 February 2020 and resigned 6 October 2020)

P A Swash (resigned 6 October 2020)

N P Henry (appointed 16 June 2020 and resigned 6 October 2020)

Principal activity
The principal activity of the Company is that of an intermediate holding company.

In recent years, Survitec Group has solidified its position as the world's leading provider of critical safety and survival solutions for the marine and defence markets. Survitec provides survival and safety solutions across the globe through the design, manufacture and service of critical safety solutions. The Group operates in over 35 countries and employs approximately 3,000 staff.

The subsidiary undertakings affecting the profits and/or net assets and net liabilities of the Group in the year are listed in note 14 to the financial statements.

Events after the year end and future developments
This has already been included in the Strategic Report.

Results and Dividends
The profit after tax for the year-ended 31 December 2020 is £90,763,000 (31 December 2019: loss £267,611,000). A review of the performance of the business and a view on future developments of the business is set out in the Strategic report and is included in this report by cross-reference.

The Directors do not recommend a dividend on the ordinary shares for the year ended 31 December 2020 (31 December 2019: £Nil).

Business conduct
The Directors are committed to and responsible for ensuring that the Group conducts itself in accordance with the highest standards of integrity and transparency. The Group complies with all relevant anti-bribery and corruption legislation, including the UK Bribery Act 2010 and all relevant trade sanctions and export controls. The Group 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 the Group. The Policy will be kept under review and may be varied from time to time so as to ensure effective compliance. The Group has branches in Azerbaijan, Fujairah and Italy.

Whistleblowing

Our internal whistleblowing facility (Survitec Hotline), which includes a telephony service and web-based portal, is operated by a new third-party service provider. Our global programme continues to provide a confidential and secure means for our employees, business partners, and other external stakeholders to report concerns about conduct that is contrary to our Values, Code of Business Conduct and Ethics. All reports are confidential and reporters are able to submit their disclosures anonymously. We review, assess and, where necessary, investigate all reports made. Oversight is provided by the Board Compliance & Ethics Committee.

Financial instruments

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

Foreign exchange rate risk

The Group, whilst headquartered in the UK, operates in geographically diverse locations, with 79% (31 December 2019: 83%) of its sales being made outside the UK. It is therefore exposed to movements in exchange rates. The Group seeks to minimise this impact on its local operations by the use of multi-sourcing of its key materials and the use of foreign exchange contracts. The key currencies that impact the Group's performance, and that the Group therefore seeks to mitigate the impact of exchange rate movements on, are the Euro, Norwegian Krone, US Dollar, Australian Dollar and Singapore Dollar.

Interest rate risk

The Group has both interest-bearing and non-interest bearing assets and liabilities. Interest bearing assets include only cash balances, all of which earn interest at variable rates. Interest bearing liabilities relate mainly to bank loans, overdrafts, leases and amounts owed to parent undertakings. The bank loans and overdrafts are subject to interest at a variable rate. The Audit and Risk Committee regularly reviews interest rate risk.

Interest on loan notes is charged at a fixed rate and therefore exposes the Group to fair value risk. The Group does not actively manage this risk as the loan notes are held by the owners of the Group.

Credit risk

The Group's principal financial assets are cash and cash equivalents and trade and other receivables. The Group has adopted a policy of only holding cash with creditworthy counterparties. Credit risk for the Group is primarily attributed to trade receivables. The amount presented in the financial statements is net of expected credit loss provisions. The Group 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 Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Financial instruments (continued)

Liquidity risk
The Group uses a mixture of central long term debt, committed facilities and cash to maintain liquidity. This is managed by Group Treasury who ensure that sufficient funds are available for ongoing operations and developments and also manage liquidity thresholds per the debt covenants. The Group centralises cash at Head Office by regular cash repatriation from subsidiaries. A weekly sixteen week cash flow forecast is used to monitor short term liquidity in conjunction with available committed facilities. In addition, liquidity is monitored against budget and longer term forecasts. The Group has drawn committed funds of £35,000,000 from a £75,000,000 facility in 2020 to increase operational liquidity. Survitec had access to a further £40,000,000 of the New Money, which expired at the end of February 2021. The Group continues to use budget and longer term forecasts to determine any future anticipated funding requirements.

Following the Group restructure in February 2020, a new credit facility has been secured. The Group concluded a process of refinancing in March 2021. The total amount borrowed was £270,000,000 over 6 years, with £160,000,000 used to refinance existing debt and the remainder to finance an acquisition and support transformation programmes in the Survitec Group.

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

Political donations
There were no political donations made by the Group during the year (31 December 2019: £Nil).

Gender equality
Survitec are an equal opportunities employer and are committed to reducing the gender pay gap where it exists.

Research and development
The Group is continually undertaking research and development in respect of improvements to the production process and the development of new products. During the period, the Group has capitalised £5,197,000, net of capital grants received of £1,035,000, (year ended 31 December 2019: £5,170,000) in respect of development projects and has also expensed £135,000 (year ended 31 December 2019: £301,000) on research programmes.

Corporate governance

The Survitec Group is part of 'Ark TopCo Limited' at which level the Board administers oversight to its operating companies which include Survitec Acquisition Company Limited.

The Board consists of 9 members and includes the Executive Chairman, Chief Executive Officer of Marine, Chief Executive Officer of Defence, Group Chief Finance Officer, two Shareholder Representatives and three Non-Executive Directors. The role of a Non-Executive Director has been strengthened to provide further transparency to the Board.

The size of the Board is guided by its constitutional documentation, scale and complexity of the Group, and markets in which it operates.

The Survitec Group has its own Corporate Governance Guidelines which details the roles of the Executive and Non-Executive Directors. Directors meet on a monthly and on an as-needed basis for discussion of matters such as corporate governance and management of the business.

The Board and independent Non-Executive Directors have a clear understanding of their accountability and responsibilities. The Board's policies and procedures are there to support effective decision-making and independent challenge. This is clearly shown as the Group adopts the 'Company with committees' governance structure.

The Board has responsibility for the Group's overall approach to strategic decision-making and effective risk management (financial and non financial) including reputational risk. The Board is also key in promoting the long-term sustainable success of the Company by identifying opportunities to create and preserve value, and establishing oversight for the identification and mitigation of risks The Board utilises each of the committees to help with the consideration of matters such as financial control and reporting risk, succession, remuneration and compliance. The terms of each committee have been clearly set out.

In addition to appointing an established Board of Directors the Group also relies on the support of the following committees; each of which meet, at a minimum quarterly, and are Chaired by an independent Non-Executive Director:

•Audit and Risk Committee;
•Remuneration Committee; and
•Compliance & Ethics Committee.

In year, a quarterly management certification process was implemented, and the outcomes are discussed with Management and Non-Executive Directors.

The Survitec Group has an Executive Chairman whose role is to set the strategic direction of the Group by continuously re-evaluating and enhancing the strategy, to drive operational and financial improvements. The Executive Chairman is supported by two Chief Executive Officers for each of the Marine, and Aerospace and Defence business units, a Group CFO and senior management team with a balance of skills, backgrounds, experience and knowledge, and who have sufficient capacity to make a valuable contribution.

In year, further steps have been taken, as part of the transformation programmes, to enhance and increase the Board's visibility by further separating functions within the business and their execution teams.

For details of engagement with suppliers, customers and others in a business relationship with the Group please refer to the s.172(1) disclosures included within the Strategic Report.

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

Employee involvement
The Group 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 Group.

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

Streamlined Energy and Carbon Reporting
This is the first year that Survitec has reported under the Streamlined Energy and Carbon Reporting (SECR) Framework, since as a large unquoted Group it now falls within scope for our Survitec Group Limited business. The Strategic Report contains a comprehensive Environmental Report of the Global Survitec Group, with the greenhouse gas emissions metrics reported below relating to Survitec Group Limited.

The Greenhouse Gas (GHG) Protocol defines direct and indirect emissions, direct GHG emissions being emissions from sources that are owned or controlled by the Group, and indirect GHG emissions being a consequence of the activities of the Group, but those that occur at sources owned or controlled by another entity.

The GHG Protocol further categorises these direct and indirect emissions into three broad scopes:

Definitions:
Scope 1 comprises direct emissions from fuel (including natural gas) use to generate electricity, heat, or steam. These emissions result from combustion of fuels in stationary sources, for example boilers, furnaces, turbines, material, chemical processing, and waste processing, transportation of materials, products, waste, and employees. These emissions result from the combustion of fuels in Group owned transportation (e.g. trucks, trains, ships, aeroplanes, buses, and cars) from transport (where a journey starts or ends in the UK).
Scope 2 comprises indirect emissions from purchased renewable and non-renewable electricity purchased and used in operations.
Scope 3 comprises indirect emissions and energy use, and related emissions from transportation of purchased materials, goods, sold products and business travel in trains, ships, aeroplanes, buses, not owned by the Group, and rental cars and employee owned vehicles where the Group is responsible for purchasing the fuel.

Environmental Reporting - Greenhouse Gas Emissions (continued)

Utility and Scope	Year ended 31 December 2020 UK Consumption (kWh)	Year ended 31 December 2020 UK Consumption (tCo2e)
Grid-Supplied Electricity (Scope 2)	1,445,544	337
Gaseous and other fuels (Scope 1)	2,809,872	517
Transportation (Scope 1 and 3)	4,450,826	1,054
Total	**8,706,242**	**1,908**

Intensity metric
An intensity metric of 21.82 tCO_2e per £m turnover has been calculated for the annual total emissions.

Energy Efficiency Improvements
Survitec are committed to year on year improvements in their operational energy efficiency. As such, a register of energy efficiency measures available to the Group has been compiled, with a view to implementing these measures in the next 5 years.

Measures ongoing and undertaken through 2020
ISO 14001 accreditation - The Group is taking steps to obtain ISO 14001 accreditation for all non-accredited locations with the implementation of the strategy being completed during 2021.
Investment - Is being made in high efficiency, low carbon manufacturing equipment to reduce the power consumption and in turn a reduction of carbon emissions.

Measures prioritised for implementation in 2021
ISO 14001 accreditation - The Group will continue the journey to obtain ISO 14001 accreditation for all non-accredited locations with the implementation of the strategy being completed during 2021.

Reporting Methodology
Scope 1 and 2 consumption and CO_2e emission data has been calculated in line with the 2019 UK Government environmental reporting guidance. The following Emission Factor Databases consistent with the 2020 UK Government environmental reporting guidance have been used, utilising the current published kWh gross calorific value (CV) and $kgCO_2e$ emissions factors relevant for reporting year 01/01/2020 - 31/12/2020:

Database 2020, Version 1.0

Estimations undertaken to cover missing billing periods for properties directly invoiced to the Group were calculated on a kWh/day pro-rata basis at meter level. These estimations equated to 3.95% of reported consumption. Intensity metrics have been calculated utilising the 2020 reportable figures for total UK Turnover of £348.918m, and tCO_2e for both individual sources and total emissions were then divided by this figure to determine the tCO_2e metric.

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 Group and the Company have a net liability position as at 31 December 2020 (31 December 2019: net liability position).

As of 28 August 2020, the Group 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 with a new money facility amounting to £75,000,000 (the "New Money Facility") which was made available to the Survitec Group by the Lenders of which £35,000,000 was drawn, completing the first phase of the implementation of the Restructuring. The remaining £40,000,000 facility was not drawn and expired on 28 February 2021.

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, the Group) on 28 August 2020.

The COVID-19 pandemic had been an evolving situation throughout 2020 and into 2021. Through the revision and rephasing of spending plans and additional cost savings the Group has been able to mitigate any material adverse impact on the markets in which it operates and thus, at 31 December 2020, COVID-19 has not had a material effect on the measurement of assets and liabilities and is not expected to going forward.

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

In reviewing the appropriateness of the Going Concern assumption, Management has prepared forecasts covering the 15 month period to 30 June 2022 ("the Going Concern period)". These forecasts include the impact of the refinancing in March 2021, the planned acquisition of Hansen Protection ASA in April 2021 and the continued COVID-19 impact. The forecasts demonstrate that the Group is expected to generate profits and cash during the Going Concern period and beyond, and that the Group has sufficient cash reserves to enable the Group to meet its obligations as they fall due over a period of at least 12 months from the date of signing of these financial statements. The forecast improvements are driven by the underlying strength of the business, with resulting EBITDA projected to increase as a result of increased sales, reduced overheads and a reduction in restructuring costs.

The forecasts have been further sensitised to reflect severe but plausible downside scenarios. The forecasts indicate minimum headroom on the Group's new facilities through to 30 June 2022 of £6,300,000. Through both treasury and financial quarterly forecasting, there is continuous focus on the Group's cash and profitability position, mitigations would be implemented immediately to maintain the minimum cash requirements. The forecasts have been reviewed by the Directors.

Whilst the Group is not forecast to recover back to 2019 levels from the impact of COVID-19 until 2022/23, the Group continues to deliver wide ranging transformational programmes to drive profitability improvements ahead of future revenue growth by developing a single scalable, efficient, operating model.

Having given consideration to the matters outlined above, the Directors confirm that they have a reasonable expectation that the Group and Company have sufficient liquidity to continue as a going-concern, and to successfully implement the business plan prepared by the management team, over a period of at least twelve months from the date of signing of these financial statements.

Survitec Acquisition Company Limited

Directors' Report for the Year Ended 31 December 2020 (continued)

Directors' liabilities

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.

Disclosure of information to the auditor

Each Director has taken 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 auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Reappointment of auditors

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

Approved by the Board on 1 April 2021 and signed on its behalf by:

....	....
R C A Leclercq	R M Krisanda
Director	Director

Survitec Acquisition Company 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 group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

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 group and company and of the profit or loss of the group 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 international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union have been followed for the group financial statements and international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed for the company financial statements, 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 group and company will continue in business.

The directors are also responsible for safeguarding the assets of the group and 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 group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Independent auditors' report to the members of Survitec Acquisition Company Limited

Report on the audit of the financial statements

Opinion

In our opinion, Survitec Acquisition Company Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2020 and of the group's profit and the group's and company's cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; 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 Consolidated and Company Statement of Financial Position as at 31 December 2020; the Consolidated Income Statement and Consolidated Statement of Comprehensive Income, the Consolidated and Company Statement of Cash Flows, and the Consolidated and Company 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 group 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

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- Understanding the current and expected impact of the ongoing COVID-19 pandemic on the group and company's operations / forecast results;

- Testing the directors' assessment, including auditing the data inputs to the model and considering historical forecasting accuracy;
- Performing sensitivity analysis to challenge assumptions made by management and assess the impact on liquidity and forecast covenant compliance; and
- Reviewing the directors' disclosure within the financial statements.

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

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

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

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

Reporting on other information

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

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

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

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

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2020 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 group and company and their 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, 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 group's and 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 group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to data protection, employment and tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase profit, inappropriate recognition of revenue and management bias in determining accounting estimates. Audit procedures performed included:

- Discussions with the Group and Divisional management teams, internal audit, internal and external legal counsel and the Audit Committee, including consideration of known or suspected instances of non-compliance with laws and regulation (including data protection legislation) and fraud;
- Assessment of the Group's whistleblowing facility and matters reported through the facility;
- Evaluating and, where appropriate, challenging assumptions and judgements made by management in determining significant accounting estimates, in particular relating to impairment of intangibles and property, plant and equipment and warranty provisions;
- Identifying and testing unusual journal entries, in particular journal entries posted with an unusual account combination; and
- Performing unpredictable procedures.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

APaynter

Andrew Paynter (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
1 April 2021

Survitec Acquisition Company Limited

Consolidated Income Statement for the Year Ended 31 December 2020

	Note	Year ended 31 December 2020 £ 000	Year ended 31 December 2019 £ 000
Revenue from contracts with customers	5	348,831	378,664
Changes in inventories of finished goods and work in progress		(4,563)	(11,691)
Raw materials and consumables used		(138,212)	(155,297)
Employee benefits expense	6	(119,659)	(122,774)
Depreciation and amortisation expense	9	(34,603)	(62,657)
Impairment of goodwill	9	-	(32,886)
Impairment of intangible assets	9	(10,812)	(122,726)
Impairment reversal/(impairment) of property, plant and equipment	9	10,945	(39,943)
Other operating expenses		(67,177)	(76,889)
Other operating income	10	4,145	615
Operating loss		**(11,105)**	**(245,584)**
Finance income	11	34,860	16,119
Finance costs	11	(86,521)	(77,925)
Net finance cost	11	(51,661)	(61,806)
Other gains/(losses)	12	158,857	(484)
Profit/(loss) before tax		**96,091**	**(307,874)**
Income tax (expense)/credit	13	(5,328)	40,263
Profit/(loss) for the year after tax		**90,763**	**(267,611)**
Loss attributable to:			
Owners of the company		90,705	(267,697)
Non-controlling interests		58	86
		90,763	(267,611)

All operations are continuing.

The Company has taken advantage of the exemptions under section 408 of the Companies Act 2006 from presenting its own Income Statement.

Survitec Acquisition Company Limited

Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2020

	Note	Year ended 31 December 2020 £ 000	Year ended 31 December 2019 £ 000
Profit/(loss) for the year		90,763	(267,611)
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of post employment benefit obligations (net)		(2,954)	(553)
Currency translation differences		-	(63)
	26	(2,954)	(616)
Items that may be reclassified subsequently to profit or loss			
Currency translation differences		1,938	(7,659)
Total Other Comprehensive loss		(1,016)	(8,275)
Total Comprehensive expense for the year		89,747	(275,886)
Total comprehensive expense attributable to:			
Owners of the company		89,689	(275,972)
Non-controlling interests		58	86
		89,747	(275,886)

Survitec Acquisition Company Limited

(Registration number: 09333067)
Consolidated Statement of Financial Position as at 31 December 2020

	Note	31 December 2020 £ 000	31 December 2019 £ 000
Assets			
Non-current assets			
Intangible assets	15	78,981	97,533
Property, plant and equipment	16	55,405	40,912
Right of use assets	17	30,348	24,571
Deferred tax assets	13	11,537	13,711
Finance lease receivable	24	138	596
Other receivables		924	789
Total non-current assets		177,333	178,112
Current assets			
Inventories	18	55,638	59,034
Trade and other receivables	19	72,590	73,638
Contract assets	19	6,417	6,491
Income tax asset		526	1,275
Cash and cash equivalents	20	83,947	51,000
Total current assets		219,118	191,438
Total assets		396,451	369,550
Equity and liabilities			
Equity			
Share capital	22	(928)	(928)
Capital contribution reserve		(533,333)	-
Foreign currency translation reserve		13,313	15,251
Accumulated losses		683,112	770,863
Equity deficit attributable to owners of the company		162,164	785,186
Non-controlling interests		(249)	(249)
Total equity deficit		161,915	784,937
Non-current liabilities			
Long term lease liabilities	23	(25,986)	(18,679)
Loans and borrowings	25	(374,420)	(962,119)
Retirement benefit obligations	26	(9,509)	(7,015)
Provisions	27	(3,823)	(4,616)
Deferred tax liabilities	13	(11,733)	(11,761)
Other non-current liabilities		(9)	(673)
Total non-current liabilities		(425,480)	(1,004,863)

Survitec Acquisition Company Limited

(Registration number: 09333067)
Consolidated Statement of Financial Position as at 31 December 2020 (continued)

	Note	31 December 2020 £ 000	31 December 2019 £ 000
Current liabilities			
Current portion of lease liabilities	23	(6,527)	(7,381)
Trade and other payables	29	(86,517)	(105,762)
Contract liabilities	29	(10,689)	(11,530)
Income tax liability		(3,103)	(1,744)
Loans and borrowings	25	(13,921)	(10,181)
Provisions	27	(12,087)	(12,024)
Derivative financial instruments	28	(42)	(1,002)
Total current liabilities		(132,886)	(149,624)
Total liabilities		(558,366)	(1,154,487)
Total equity and liabilities		(396,451)	(369,550)

The financial statements on pages 28 to 120 are approved by the Board on 1 April 2021 and signed on its behalf by:

R C A Leclercq
Director

R M Krisanda
Director

Survitec Acquisition Company Limited

(Registration number: 09333067)
Company Statement of Financial Position as at 31 December 2020

	Note	31 December 2020 £ 000	(As Restated) Note 33 31 December 2019 £ 000
Assets			
Non-current assets			
Investments	14	-	-
Deferred tax assets	13	-	140
Total non-current assets		-	140
Current assets			
Trade and other receivables	19	154,382	151,501
Cash and cash equivalents	20	20	28
Total current assets		154,402	151,529
Total assets		154,402	151,669
Equity and liabilities			
Equity			
Share capital	22	(928)	(928)
Capital contribution reserve		(533,333)	-
Accumulated losses at 1 January		829,598	509,499
(Profit)/loss for the year		(233,116)	320,099
Accumulated losses at 31 December		596,482	829,598
Total equity deficit		62,221	828,670
Non-current liabilities			
Loans and borrowings	25	(216,541)	(961,442)
Current liabilities			
Trade and other payables	29	(82)	(18,071)
Other current financial liabilities		-	(826)
Total current liabilities		(82)	(18,897)
Total liabilities		(216,623)	(980,339)
Total equity and liabilities		(154,402)	(151,669)

The notes on pages 39 to 121 form an integral part of these financial statements.

Survitec Acquisition Company Limited

(Registration number: 09333067)
Company Statement of Financial Position as at 31 December 2020 (continued)

The parent company has taken advantage of section 408 of the Companies Act 2006 and has not included its own Statement of Comprehensive Income in these financial statements.

The financial statements on pages 28 to 120 are approved by the Board on 1 April 2021 and signed on its behalf by:

....	....
~~R C~~ A Leclercq	R M Krisanda
Director	Director

Survitec Acquisition Company Limited

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2020

	Share capital £ 000	Capital contribution reserve £ 000	Foreign currency translation £ 000	Accumulated losses £ 000	Total £ 000	Non-controlling interests £ 000	Total equity deficit £ 000
At 1 January 2020	928	-	(15,251)	(770,863)	(785,186)	249	(784,937)
Profit for the year	-	-	-	90,705	90,705	58	90,763
Other comprehensive expense	-	-	1,938	(2,954)	(1,016)	-	(1,016)
Total comprehensive income	-	-	1,938	87,751	89,689	58	89,747
Dividends to non-controlling interest	-	-	-	-	-	(58)	(58)
Other capital redemption reserve movements	-	533,333	-	-	533,333	-	533,333
At 31 December 2020	928	533,333	(13,313)	(683,112)	(162,164)	249	(161,915)

	Share capital £ 000	Capital contribution reserve £ 000	Foreign currency translation £ 000	Accumulated losses £ 000	Total £ 000	Non-controlling interests £ 000	Total equity deficit £ 000
At 1 January 2019	928	-	(7,592)	(502,550)	(509,214)	249	(508,965)
(Loss)/profit for the year	-	-	-	(267,697)	(267,697)	86	(267,611)
Other comprehensive expense	-	-	(7,659)	(616)	(8,275)	-	(8,275)
Total comprehensive expense	-	-	(7,659)	(268,313)	(275,972)	86	(275,886)
Dividends to non-controlling interest	-	-	-	-	-	(86)	(86)
At 31 December 2019	928	-	(15,251)	(770,863)	(785,186)	249	(784,937)

The notes on pages 39 to 121 form an integral part of these financial statements.

Survitec Acquisition Company Limited

Company Statement of Changes in Equity for the Year Ended 31 December 2020

	Share capital £ 000	Capital contribution reserve £ 000	Accumulated losses £ 000	Total equity deficit £ 000
At 1 January 2020	928	-	(829,598)	(828,670)
Profit for the year	-	-	233,116	233,116
Total comprehensive income	-	-	233,116	233,116
Other capital redemption reserve movements	-	533,333	-	533,333
At 31 December 2020	928	533,333	(596,482)	(62,221)

	Share capital £ 000	Capital contribution reserve £ 000	Accumulated losses £ 000	Total equity deficit £ 000
At 1 January 2019	928	-	(509,499)	(508,571)
Loss for the period	-	-	(320,099)	(320,099)
Total comprehensive expense	-	-	(320,099)	(320,099)
At 31 December 2019	928	-	(829,598)	(828,670)

The notes on pages 39 to 121 form an integral part of these financial statements.

Survitec Acquisition Company Limited

Consolidated Statement of Cash Flows

	Year ended 31 December 2020 £ 000	Year ended 31 December 2019 £ 000
Cash flows from operating activities		
Profit/(Loss) for the year	90,763	(267,611)
Income tax charge/(credit)	5,328	(40,263)
Depreciation and amortisation	26,657	54,052
Depreciation on right of use assets	7,946	8,605
Substantial modification of debt	(159,285)	-
Impairment of goodwill	-	32,886
Impairment of intangible assets	10,812	122,726
Impairment of property, plant and equipment	(10,945)	39,943
Loss on disposal of property, plant and equipment	170	48
Loss on disposal of intangible assets	-	295
Interest income	(855)	(1,281)
Interest expense	79,682	77,924
Interest released	(34,005)	-
Foreign exchange movement on Euro denominated loans	7,418	(13,595)
Difference between pension charge and cash contributions	(1,186)	(823)
Increase in provisions	86	2,060
	22,586	14,966
Working capital adjustments		
Decrease in inventories	3,767	11,249
Decrease in trade and other receivables	1,843	20,154
Decrease in trade and other payables	(4,634)	(14,589)
Cash generated from operations	23,562	31,780
Income taxes paid	(991)	(4,586)
Net cash flow from operating activities	22,571	27,194
Cash flows from investing activities		
Acquisitions of property, plant and equipment	(16,507)	(18,075)
Proceeds from sale of property, plant and equipment	629	2,040
Government grants received in repsect of purchase of intangible assets	1,035	-
Acquisition of intangible assets	(7,858)	(6,563)
Net cash flows used in investing activities	(22,701)	(22,598)

Survitec Acquisition Company Limited

Consolidated Statement of Cash Flows for the Year Ended 31 December 2020 (continued)

	Year ended 31 December 2020 £ 000	Year ended 31 December 2019 £ 000
Cash flows from financing activities		
Cash interest paid	(2,922)	(17,360)
Cash interest received	29	59
Proceeds from bank borrowing drawdowns	35,979	37,638
Repayment of borrowings	-	(634)
Payments to lease creditors	(8,742)	(7,400)
Loans from parent undertakings	4,715	-
Dividends paid to non-controlling interest	(58)	(86)
Net cash flows from financing activities	29,001	12,217
Net increase in cash and cash equivalents	28,871	16,813
Cash, cash equivalents and overdrafts at beginning of the period	41,859	25,997
Effect of exchange rate fluctuations on cash held	243	(951)
Cash, cash equivalents and overdrafts at 31 December	70,973	41,859

Survitec Acquisition Company Limited

Company Statement of Cash Flows

	Year ended 31 December 2020 £ 000	(As restated) Year ended 31 December 2019 £ 000
Cash flows from operating activities		
Profit/(loss) for the year	233,116	(320,099)
Substantial modification of debt	(159,285)	-
(Reversal of) Impairment in investments and intercompany receivables	(67,819)	294,917
Foreign exchange gain	(4,229)	(9,625)
Interest received	(35,986)	(36,948)
Interest paid	66,145	72,465
Interest released	(34,005)	-
Income tax expense	140	207
	(1,923)	917
Working capital adjustments		
Increase in trade and other receivables	20	(4)
Decrease in trade and other payables	(142)	(73)
Net cash flows used in operating activities	(2,045)	840
Cash flows used in investing activities		
Issue of loans to subsidiary undertakings	-	(28,481)
Cash flows from financing activities		
Cash interest paid	(1,228)	(14,156)
Proceeds from bank borrowing drawdowns	-	37,634
Repayments of borrowings	(100,000)	-
Receipt of intercompany loans	103,138	256
Draw down/(repayment) of intercompany loans	127	(7,138)
Net cash flows from financing activities	2,037	16,596
Net increase/(decrease) in cash and cash equivalents	(8)	(11,045)
Cash and cash equivalents at beginning of the period	28	11,073
Cash and cash equivalents at 31 December	20	28

1 General information

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

The address of its registered office is:
The Aspect, Fourth Floor
12 Finsbury Square
London
EC2A 1AS

These financial statements were authorised for issue by the Board on 1 April 2021.

2 Accounting policies

Statement of compliance
The Group and Company financial statements have been prepared in accordance with International accounting standards in conformity with the requirement of Companies Act 2006 ("IFRS") and the applicable legal requirement of the Companies Act 2006.

Summary of significant accounting policies and key accounting estimates
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The key accounting estimates applied in the preparation of these financial statements are set out in Note 3.

Basis of preparation
The Group and Company financial statements have been prepared in accordance with International accounting standards in conformity with the requirement of Companies Act 2006 ("IFRS") and the applicable legal requirement of the Companies Act 2006.

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments and other receivables which are measured at fair value.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires Management to exercise its judgement in the process of applying the Group's accounting policies.

The Group has taken the exemption from IFRS 8 Operating Segments as it does not have any debt, equity instruments or any class of instruments traded in a public market.

The consolidated financial statements are presented in sterling (£) and all values are rounded to the nearest thousand, except when otherwise indicated.

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 Group and the Company have a net liability position as at 31 December 2020 (31 December 2019: net liability position).

As of 28 August 2020, the Group 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 with a new money facility amounting to £75,000,000 (the "New Money Facility") which was made available to the Survitec Group by the Lenders of which £35,000,000 was drawn, completing the first phase of the implementation of the Restructuring. The remaining £40,000,000 facility was not drawn and expired on 28 February 2021.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, the Group) on 28 August 2020.

The COVID-19 pandemic had been an evolving situation throughout 2020 and into 2021. Through the revision and rephasing of spending plans and additional cost savings the Group has been able to mitigate any material adverse impact on the markets in which it operates and thus, at 31 December 2020, COVID-19 has not had a material effect on the measurement of assets and liabilities and is not expected to going forward.In March 2021, the Group successfully completed a refinancing of its existing debt. The total amount borrowed was £270,000,000 over 6 years, with £160,000,000 used to refinance existing debt and the remainder to support the Group's transformation programmes and mergers and acquisition strategy.

In reviewing the appropriateness of the Going Concern assumption, Management has prepared forecasts covering the 15 month period to 30 June 2022 (the Going Concern period). These forecasts include the impact of the refinancing in March 2021, the planned acquisition of Hansen Protection ASA in April 2021 and the continued COVID-19 impact. The forecasts demonstrate that the Group is expected to generate profits and cash during the Going Concern period and beyond, and that the Group has sufficient cash reserves to enable the Group to meet its obligations as they fall due over a period of at least 12 months from the date of signing of these financial statements. The forecast improvements are driven by the underlying strength of the business, with resulting EBITDA projected to increase as a result of increased sales, reduced overheads and a reduction in restructuring costs.

The forecasts have been further sensitised to reflect severe but plausible downside scenarios. The forecasts indicate minimum headroom on the Group's new facilities through to 30 June 2022 of £6,300,000. Through both treasury and financial quarterly forecasting, there is continuous focus on the Group's cash and profitability position, mitigations would be implemented immediately to maintain the minimum cash requirements. The forecasts have been reviewed by the Directors.

Whilst the Group is not forecast to recover back to 2019 levels from the impact of COVID-19 until 2022/23, the Group continues to deliver wide ranging transformational programmes to drive profitability improvements ahead of future revenue growth by developing a single scalable, efficient, operating model.

Having given consideration to the matters outlined above, the Directors confirm that they have a reasonable expectation that the Survitec Group has sufficient liquidity to continue as a going-concern, and to successfully implement the business plan prepared by the management team, over a period of at least twelve months from the date of signing of these financial statements.

2 Accounting policies (continued)

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 December 2020.

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

Intra-Group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated.

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Changes in accounting policy

New standards, interpretations and amendments effective

The Group and the Company have applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

• Definition of Material - Amendments to IAS 1 and IAS 8; and
• Revised Conceptual Framework for Financial Reporting.

The Group and the Company also elected to adopt the following amendment early:

• Annual Improvements to IFRS Standards 2018-2020 Cycle.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

New standards, interpretations and amendments not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group and the Company. These standards are not expected to have a material impact on the Group or the Company in the current or future reporting periods and on foreseeable future transactions.

Business combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

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 Group's activities. Revenue is shown net of value-added tax and after eliminating sales within the Group.

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

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

(a) Sale of goods

For contracts for the sale of an individual item, the performance obligation is the acceptance or delivery of the item. For contract 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.

(b) Sale of goods 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.

Revenue in respect of goods is in line with 'a) Sales of goods'. Revenue in respect of installation is recognised over the period of the installation service and revenue in respect of training is recognised over the period of the training.

(c) Sales of Fire Safety Systems

The performance obligation is the overall contracted requirement to design, deliver and commission a bespoke fire safety system. Revenue on these contracts is recognised over the period of the contract. Stage of completion is determined using the input method based on costs incurred to date relative to the total expected cost to deliver the contract.

(d) Rendering of services

The performance obligation is the provision of servicing work as specified in the customer contract. Revenue is recognised as follows:

• Where a contractual right to receive payment exists, revenue is recognised over the period services are provided using the percentage of completion method, based on the input method using time spent; and

• Where no contractual right to receive payment exists, revenue is recognised upon completion of each separate performance obligation, which is typically when implementation services are complete or training materials have been provided to the customer.

2 Accounting policies (continued)

Government grants

Grants from the government are recognised at their fair value in profit or loss where there is a reasonable assurance that the grant will be received and the group has complied with all attached conditions. Grants received where the group has yet to comply with all attached conditions are recognised as a liability (and included in deferred income within trade and other payables) and released to income when all attached conditions have been complied with.

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

Foreign currency transactions and balances

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Sterling (£) which is the Group's presentation currency.

(b) Transactions and balances

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

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

Foreign currency transactions and balances

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated as follows:

i) Assets and liabilities for each balance sheet presented are translated at the closing rate at the reporting date;
ii) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions);
iii) All resulting exchange differences on translation of long-term intercompany receivables and payables, which are deemed to be part of the net investment in foreign operations, are recognised in Other Comprehensive Income; and
iv) All resulting exchange differences are recognised in Other Comprehensive Income.

2 Accounting policies (continued)

Tax

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

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

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

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

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

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

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

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

2 Accounting policies (continued)

Property, plant and equipment

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

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

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

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
Freehold buildings	2 - 4% Straight-line
Leaseholds	Life of lease Straight-line
Plant and machinery	5 - 25% Straight-line
Computer equipment	20 - 50% Straight-line
Motor vehicles	20 - 33% Straight-line
Survival suits	8% Straight-line
Liferafts	10% Straight-line

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

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

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

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 Group will exercise an option to purchase the asset, the depreciation period is through the end of the asset's useful economic life.

2 Accounting policies (continued)

Intangible assets

(a) Contractual customer relationships

Separately acquired customer relationships are shown at historical cost. Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. Customer relationships have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of customer relationships over their estimated useful lives of 8 to 20 years.

(b) Developed technology

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

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

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

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

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

(c) Patents, trademarks, brands and other intangibles

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

Included within other intangibles is 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 criteria as per (b) 'Developed technology' are met.
Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed 5 years.

Capitalised costs are also reviewed for potential impairment.

2 Accounting policies (continued)

Investments

Investments in subsidiaries are shown at cost less accumulated impairment losses. Following an impairment review, the Company's investment in its subsidiary undertakings has been impaired down to £Nil as at 31 December 2020.

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.

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 provisions for impairment. The Group 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 Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses.

Inventories

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

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

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

Trade payables

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

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

2 Accounting policies (continued)

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 Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Provisions

a) Warranty

Due to the nature of products manufactured by the Group, warranty provisions are recognised when there is an expectation of a constructive or legal obligation on Survitec Group to rectify any issues identified on the part of their customers. The provision is best estimated based on known claims and on estimates based upon past experience, of possible future claims which could arise over the life of the products sold.

b) Dilapidations

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

c) Employee Benefits

Long-term employee benefits may include paid long-service leave, other long service benefits, and profit sharing and bonus schemes (other than share based payments). These should include situations in which an employee could require settlement after 12 months of the end of the period in which the services have been rendered, and should be considered at the end of the reporting period. A liability is recognised for the present value of the obligation.

d) Other

Provisions for legal disputes and other claims are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. The timing of the outflow may still be uncertain.

Provisions are discounted to their present values, where the time value of money is material. The discount rate is the pre-tax rate that reflects current market assessments of the time value of money and risks specific to the liability.

2 Accounting policies (continued)

Leases

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 Group 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 Group 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 (e.g. direct how and for what purpose the asset is used)

Where contracts contain a lease coupled with an agreement to purchase or sell other goods or services (i.e., non-lease components), the non-lease components are identified and accounted for separately from the lease component. The consideration in the contract is allocated to the lease and non-lease components on a relative standalone price basis using the principles in IFRS 15.

The Survitec Group predominantly engages in leases for land and buildings, or commercial and motor vehicles. The majority of leases for the Group are located in North America or Europe as a result of the manufacturing and office locations.

Initial recognition and measurement

The Group 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 Group's initial direct costs (e.g., commissions) and an estimate of restoration, removal and dismantling costs.

2 Accounting policies (continued)

Leases (continued)

Subsequent measurement

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

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

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 cost 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.

2 Accounting policies (continued)

Leases (continued)

Lease modifications

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

The modification is accounted for as a separate lease if both:
(a) The modification increases the scope of the lease by adding the right to use one or more underlying assets; and
(b) The consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

If both of these conditions are met, the lease modification results in two separate leases, the unmodified original lease and a separate lease. The Group then accounts for these in line with the accounting policy for new leases. If either of the conditions are not met, the modified lease is not accounted for as a separate lease and the consideration is allocated to the contract and the lease liability is re-measured using the lease term of the modified lease and the discount rate as determined at the effective date of the modification.

For a modification that fully or partially decreases the scope of the lease (e.g., reduces the square footage of leased space), IFRS 16 requires a lessee to decrease the carrying amount of the right-of-use asset to reflect partial or full termination of the lease. Any difference between those adjustments is recognised in profit or loss at the effective date of the modification.

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

Short term and low value leases

The Group 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 statement.

Sub leases

If an underlying asset is re-leased by the Group to a third party and the Group retains the primary obligation under the original lease, the transaction is deemed to be a sublease. The Group continues to account for the original lease (the head lease) as a lessee and accounts for the sublease as a lessor (intermediate lessor). When the head lease is a short term lease, the sublease is classified as an operating lease. Otherwise, the sublease is classified using the classification criteria applicable to Lessor Accounting in IFRS 16 by reference to the right-of-use asset in the head lease (and not the underlying asset of the head lease).
After classification lessor accounting is applied to the sublease.

2 Accounting policies (continued)

Leases (continued)

Leases as a lessor

Leases in which the Group 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 Group will continue to recognise the leased asset in its statement of financial position.

Leases in which the Group 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 Group 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 group is a lessor (such as Extended Service Revenue (ESR) liferaft contracts) 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.

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 Group 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.

2 Accounting policies (continued)

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 Group include cash and cash equivalents, trade and other receivables, contract assets and lease receivables, and favourable derivative financial instruments. Financial liabilities of the Group include trade and other payables, borrowings, and unfavourable derivative financial instruments.

Initial recognition and measurement

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

The Group 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 Group's business model for managing the financial assets and the contractual terms of the cash flows. The Group reclassifies its financial assets when and only when its business model for managing those assets changes.

At initial recognition, the Group 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, 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.

2 Accounting policies (continued)

Financial instruments (continued)

Subsequent measurement

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

(a) Financial assets
Subsequent measurement of financial assets depends on the Group's business model for managing those financial assets and the cash flow characteristics of those financial assets. The Group 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.

(b) Financial liabilities at fair value through profit and 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. Fair value is determined in the manner described in note 4.

(c) 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.

Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to foreign currency risks and interest rate risk exposures. Such derivative financial instruments are subsequently measured at fair value with changes in fair value generally being recognised in profit or loss. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when fair value is negative. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

2 Accounting policies (continued)

Derecognition

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.

Impairment of a financial asset

The Group 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 Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from the initial recognition of the receivables. The Group also reviews the expected credit loss associated with trade receivables by considering Stages 2 and 3 of IFRS 9, whereby the Group 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 Group applies the three stage model to determine expected credit losses.

Fair value of financial instruments

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

Offsetting financial instruments

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

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.

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.

Defined benefit pension obligation

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

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

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

The UK and Dutch defined benefit schemes are funded, with the assets of the UK scheme held separately from those of the Group in separate trustee administered funds. In Germany, the Group operates an unfunded defined benefit scheme.

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

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

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

Any asset resulting from the calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan. Where the Group is considered to have a contractual obligation to fund the pension scheme above the accounting value of the liabilities, an onerous obligation is recognised.

Bonus payments

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the owners of the parent after certain adjustments, as well as other personal performance objectives. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2 Accounting policies (continued)

Share based payments

The Group operates a share-based compensation plan, under which the company receives services from employees as consideration for equity instruments. The awards are issued by Ark Topco Limited and the Group has no obligation to settle the awards. The fair value of the employee services received in exchange for the issue of the shares is recognised as an expense. A credit is recognised directly in equity. The total amount to be expensed is determined by reference to the fair value of the shares issued:

• including any market performance conditions (for example, an entity's share price);
• excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets, and remaining an employee of the entity over a specified time period); and
• including the impact of any non-vesting conditions (for example, the requirement for employees to save).
Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. In addition, in some circumstances, employees might provide services in advance of the grant date, and so the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement and grant date.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

3 Critical accounting judgements and key sources of estimation uncertainty

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

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

Cash generating unit (judgement)
The Group commenced a project in late 2019 to recognise two clear divisions in the business, Marine and Defence, based on each divisions' global customers and supply chains. This project was enacted in the first half of 2020 with appointments of newly created divisional management teams. The Board of Directors is considered to be the Chief Operating Decision Maker (CODM) for the group. The divisional management teams report disaggregated financial information to the CODM who are able to assess investment opportunities and allocate capital at a divisional level. Before 2020 the CODM would not have been able to do this.

The Group has assessed its global operations and concluded that the Group is made up of two Cash Generating Units (CGU's) at 31 December 2020 (31 December 2019: one).

Impairment of intangibles and property, plant and equipment (estimate)
The Group tests at least annually whether non-current assets have suffered any impairment, in accordance with its accounting policies. The carrying amount of a CGU is compared to its recoverable amount, being the higher of value in use and fair value less costs to sell, to determine if an impairment exists. In assessing fair value, the Group gives consideration to the likely terminal value using a discounted cashflow. These estimates, including the methodology used, can have a material impact on the respective values and ultimately the amount of any impairment. Long term growth rates and weighted average cost of capital are sensitied when evaluating the value of any impairment. The sensitivity analysis for these key estimates is included in note 15.

In accordance with IAS 36, intangibles not yet brought into use are required to be tested for impairment annually.

Defined benefit pension scheme (estimate)
The Group has an obligation to pay pension benefits to certain employees. The cost of the defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Any change to these assumptions will impact the carrying amount of the pension obligations. All assumptions are reviewed at each reporting date. The sensitivity analysis for these key estimates is included in note 26.

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

Warranty provisions (estimate)
The determination of provisions requires a significant amount of estimation, particularly in the area of specific product liability issues. Given the technical nature of the Group's survival products, there is a significant estimation uncertainty of product liability matters. Management prepare a model on an annual basis, based on a number of key inputs and assumptions in order to determine an estimate for the provision value. This provision is kept under regular review and re-assessed as discussions and events develop. The details of the critical estimate and the sensitivity analysis for these key estimations is included in note 27.

IFRS 16 lease liability (estimate)
Estimates that are made in calculating the lease liability include determining the lease term (being defined as the non-cancellable period for which the Group has the right to use an underlying asset including optional period in which the Group is reasonably certain to exercise an option to extend) and selecting an appropriate discount factor.

The weighted average discount rate used in the calculation of lease liabilities is 7.7% (2019: 7.6%). If the individual discount rates underlying this average rate each increased by 0.5% the Group's lease liability would decrease by £1.5m (2019: decrease by £0.8m). If the individual discount rates underlying this average rate each decreased by 0.5% the Group's lease liability would increase by £1.6m (2019: increase by £0.8m).

Recoverability of investments and intragroup receivables (estimate)
The Company has considered the expected credit loss applied to amounts owed by subsidiary undertakings in accordance with IFRS 9. These amounts are due on demand and the Company has assessed that the subsidiary undertakings do not have sufficient liquid resources to repay this balance immediately. The company has determined that the most likely scenario for recovery of these balances is to seek to sell the operating group and has therefore calculated the expected credit loss by discounting the Fair Value less Costs of Disposal of the operating group for the estimated period to any disposal. On this basis the Company partially reversed an expected credit loss brought forward from prior periods totalling £67,819,000 during the year (2019: impaired £294,917,000), resulting in a carrying value of the amounts due from subsidiary undertakings of £153,664,000 (2019: £151,481,000 as restated).

In addition to the estimates used in establishing the Fair Value less Costs of Disposal of the operating group (see note 20), the calculation of the expected credit loss requires an estimate to be made of the expected period to disposal. This is a key estimate as the expected period to disposal has a significant impact when discounting the Fair Value less Costs of Disposal.

If the period to sale decreased by 1 year the increase in reversal of impairment would be £8,136,000. If the period to sale increased by 1 year, the decrease in reversal of impairment would be £7,892,000.

As noted in note 31, £367,000,000 was novated to the Company's and Group's parent undertaking, resulting in the Company and Group owing its new parent undertaking £367,000,000. This transaction is treated as a substantial modification and the £367,000,000 was de-recognsied and then recognised at its fair value of £207,361,000. This fair value was based on the Fair Value less Costs of Disposals of the operating group. Sensitivity analysis on the Fair Value less Costs of Disposals is included in note 15.

4 Financial risk management

Financial risk factors

The Group's Head Office function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyses exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

The Group seeks to minimise the effects of these risks by using derivative financial instruments to minimise these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the directors, which provide principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

a) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates (see below). The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including:

• forward foreign exchange contracts to mitigate the exchange rate risk arising on the sale of goods or purchase of materials in non-functional currencies;
• interest rate caps and swaps to mitigate the risk of rising interest rates; and
• non-functional currency borrowings to hedge the exchange rate risk arising on translation of the Group's investment in foreign operations.

i) Foreign currency risk

The Group's operations undertake transactions denominated in currencies other than their functional currency; consequently exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

It is the policy of the Group to enter into forward foreign exchange contracts to cover specific foreign currency payments and receipts. The Group may also enter into forward foreign exchange contracts to manage the risk associated with anticipated sales and purchase transactions out to 12 months. Basis adjustments are made to the carrying amounts of non-financial hedged items when the anticipated sale or purchase transaction takes place.

The carrying amounts of the Group's non-functional currency denominated monetary assets and monetary liabilities at the reporting date that are not covered by some form of natural hedge or derivative financial instrument are estimated to be less than 1% (31 December 2019: < 1%) of total assets. A quantitative sensitivity analysis for 5% movement in key exchange rates is as shown below:

4 Financial risk management (continued)

Impact of 5% movement in currency v GBP

31 December 2020

	+5%	-5%
Loss before tax	(401)	443
Equity	7,304	(8,073)

31 December 2019

	+5%	-5%
Loss before tax	(4,692)	5,185
Equity	7,714	(8,526)

ii) Interest rate risk

In prior years, under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts due on external debt calculated on agreed notional principal amounts. Such contracts enabled the Group to mitigate the risk of changing interest rates on the cash flow exposures on the issued floating rate debt held.

In the current year, the Group's bank debt interest is based on margin plus the higher of EURIBOR or 0%. As at 31 December 2020, the EURIBOR rate is Nil, therefore hedging of the interest rate is not required.

The sensitivity analysis below has been calculated for 31 December 2020 and has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 1% increase or decrease is used when considering interest rate risk internally to key management personnel. In 2019 a waiver was obtained from lenders for the non-payment of debt interest.

The interest on approximately 0% (31 December 2019: 40%) of the variable interest rate borrowings is covered by swaps, which would protect the Group from the full impact of any increase in interest rates. If interest rates had been 1 per cent higher and all other variables were held constant the Group's profit for the year ended 31 December 2020, based on the closing level of such debt for the year, would decrease by approximately £728,000 (31 December 2019: £2,256,000).

4 Financial risk management (continued)

b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available, and if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually. Please refer to note 19 for default rates and ageing profiles.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk to any counterparty did not exceed ten per cent of gross monetary assets at any time during the period.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk as no collateral or other credit enhancements are held.

c) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the directors, who have established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The following tables detail the Group's remaining contractual maturity for its financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group or the Company can be required to pay. The table includes both interest and principal cash flows. The table below excludes lease liabilities that are financial liabilities under IFRS 9 and the remaining contractual maturity is disclosed in note 23.

4 Financial risk management (continued)

Group

	Up to 1 year £'000	2-3 years £'000	4-5 years £'000	Total £'000
31 December 2020				
Borrowings	26,284	418,341	26,204	470,829
Trade and other payables	68,395	-	-	68,395
Contract liabilities	10,689	-	-	10,689
Derivative financial instruments	42	-	-	42
	105,410	**418,341**	**26,204**	**549,955**

	Up to 1 year £'000	2-3 years £'000	4-5 years £'000	Total £'000
31 December 2019				
Borrowings	35,008	1,116,382	565	1,151,955
Trade and other payables	87,054	-	-	87,054
Contract liabilities	11,530	-	-	11,530
Derivative financial instruments	1,001	-	-	1,001
	134,593	1,116,382	565	1,251,540

Company

	Up to 1 year £'000	2-3 years £'000	4-5 years £'000	Total £'000
31 December 2020				
Borrowings	-	399,169	-	399,169
Trade and other payables	82	-	-	82
Derivative financial instruments	-	-	-	-
	82	**399,169**	**-**	**399,251**

	Up to 1 year £'000	2-3 years £'000	4-5 years £'000	Total £'000
31 December 2019				
Borrowings	24,677	1,115,302	-	1,139,979
Trade and other payables	18,071	-	-	18,071
Derivative financial instruments	826	-	-	826
	43,574	1,115,302	-	1,158,876

4 Financial risk management (continued)

The tables above are calculated based on undiscounted contractual obligations. In the current year this includes the principal loan owing to the ultimate parent of £367,000,000 and accrued interest on this amount. Within the statement of financial position, this liability is recorded of fair value on inception of £207,361,000.

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes bank borrowings, cash and cash equivalents, and share capital.

The Group does not manage to a target gearing figure, but it does manage the business to keep below the Consolidated Total Net Debt to pro-forma EBITDA covenant included in its banking facilities agreement. The covenant targets vary over time, and are periodically re-negotiated.

During the year the covenants included in the banking facilities agreement were waived and refinancing negotiations have been undertaken by senior management and a restructure of the external facilities is due to take place in 2021 as referenced in note 34.

d) Capital risk management

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to maintain adequate liquidity levels for both sustaining and growing the business. For covenant purposes the Consolidated Total Net Debt includes bank borrowings and overdrafts and the capital portion of any leases, net of cash balances. Pro-forma EBITDA is based on Earnings before Interest, Tax, Depreciation and Amortisation. During the year the requirement for quarterly covenant measurement was waived and negotiations for a new financing arrangement are ongoing as referenced in note 34. Under this new arrangement there is a need to maintain a minimum level of available liquidity and management has undertaken a number of measures to ensure these requirements are met. During the year management implemented group-wide cashflow forecasting processes and entity-level business continuity planning. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

e) Fair value estimation

The Group's financial instruments that are carried at fair value fall within level 2 of the valuation hierarchy. The valuation hierarchy is defined as follows:

• Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
• Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
• Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table presents the Group's assets and liabilities that are measured at fair value:

4 Financial risk management (continued)

31 December 2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Liabilities				
Financial liabilities at fair value through profit or loss				
Trading derivatives				
- Interest rate swaps	-	-	-	-
- Forward currency contracts	-	(42)	-	(42)
Total Liabilities	-	(42)	-	(42)

31 December 2019	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Liabilities				
Financial liabilities at fair value through profit or loss				
Trading derivatives				
- Interest rate swaps	-	826	-	**826**
- Forward currency contracts	-	175	-	**175**
Total Liabilities	-	**1,001**	-	**1,001**

The directors consider the carrying value of the other financial assets and liabilities held by the Group and Company to be a reasonable approximation of their fair value at the period end given that they are generally short term in nature and/or on terms which are considered equivalent to current market terms.

There were no transfers between levels during the period.

Financial instruments in level 2
The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:
• Quoted market prices or dealer quotes for similar instruments;
• The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
• The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value; and
• Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

5 Revenue

Analysis of revenue recognition	Year ended 31 December 2020 £ 000	Year ended 31 December 2019 £ 000
Revenue from contracts with customers	308,749	345,415
Leasing	40,082	33,249
	348,831	378,664

Analysis of revenue by geography:

	Year ended 2020 £ 000	Year ended 2019 £ 000
United Kingdom	73,199	66,405
Europe (excluding the UK)	110,163	120,460
Asia & Oceania	97,343	116,354
North America	63,232	69,413
South America	2,006	1,993
Africa	2,888	4,039
	348,831	378,664

6 Staff costs

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

	Year ended 31 December 2020 £ 000	Year ended 31 December 2019 £ 000
Wages and salaries	104,304	107,435
Social security costs	12,809	14,306
Pension costs, defined contribution scheme	3,751	5,571
Share-based payment expenses (note 21)	-	-
Capitalisation of staff costs	(1,205)	(4,538)
	119,659	122,774

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

6 Staff costs (continued)

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

	Year ended 31 December 2020 No.	Year ended 31 December 2019 No.
Production and sales	2,043	2,137
Management and administration	867	836
	2,910	2,973

There were no employees in the Company during the year (31 December 2019: nil).

7 Directors' remuneration

The directors' remuneration for the year was as follows:

	Year ended 31 December 2020 £ 000	Year ended 31 December 2019 £ 000
Remuneration	2,775	2,636
Contributions paid to money purchase schemes	67	61
	2,842	2,697

The directors are not remunerated for their services to the Company and their remuneration cannot be split between all the companies they are directors of. The above includes payments made to directors upon their departure of £Nil (31 December 2019: £749,000).

The number of directors accruing benefits under a money purchase pension scheme is 2 (31 December 2019: 4).

In respect of the highest paid Director:

	Year ended 31 December 2020 £ 000	Year ended 31 December 2019 £ 000
Remuneration	871	917
	871	917

The highest paid director did not exercise any share options in the period.

8 Auditors' remuneration

	Year ended 31 December 2020 £ 000	Year ended 31 December 2019 £ 000
Audit of the company's financial statements	5	5
Audit of the financial statements of subsidiaries of the company	2,553	2,076
Audit of Group's consolidated financial statements	250	250
	2,808	2,331
Other fees to auditors		
Taxation compliance services	314	294
All other tax advisory services	72	39
All other non-audit services	104	61
	490	394

9 Operating loss

Arrived at after charging/(crediting)

	Note	Year ended 31 December 2020 £ 000	Year ended 31 December 2019 £ 000
Depreciation expense	16	12,327	21,321
Depreciation on right of use assets - Machinery	17	2,366	2,275
Depreciation on right of use assets - Property	17	5,580	6,330
Amortisation expense	15	14,330	32,731
Impairment of goodwill		-	32,886
Impairment of intangible assets	15	10,812	122,726
(Reversal of impairment)/impairment of property, plant and equipment	16	(10,945)	39,943
Research and development cost		135	301
Gain on substantial modification of debt	12	(159,285)	-
Warranty provisions	27	86	2,060
Loss on disposal of property, plant and equipment		170	48
Expense of variable lease payments not included in lease liabilities		3	38
Expense on short term leases	23	75	168
Expense on low value leases	23	14	572
Cost of inventories recognised as an expense		142,775	166,988
Employee benefits expense	6	119,659	122,774
Audit of the Company's financial statements	8	5	5
Audit of the subsidiaries of the company and consolidated financial statements	8	2,803	2,326

9 Operating loss (continued)

	Note	Year ended 31 December 2020 £ 000	Year ended 31 December 2019 £ 000
Other fees to auditors	8	490	394

The research and development expenditure of £135,000 (31 December 2019: £301,000) is after capitalisation of £5,197,000 (31 December 2019: £5,170,000) of costs that relate solely to the development phase of a self-initiated project. In accordance with IAS 36, intangibles not yet brought into use are required to be tested for impairment annually. As a result of these impairment reviews, development costs attributed to the Seahaven project of £Nil (31 December 2019: £13,758,000) were fully impaired.

10 Other operating income

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

	Year ended 31 December 2020 £ 000	Year ended 31 December 2019 £ 000
Government grants	2,976	-
Sub lease rental income	5	5
R&D expenditure credits	291	253
Other operating income	873	357
	4,145	615

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

11 Finance income and costs

	Year ended 31 December 2020 £ 000	Year ended 31 December 2019 £ 000
Finance income		
Net finance income on pensions	-	58
Interest income on bank deposits	16	-
Interest on bank borrowings released	34,005	-
Gain on movement of fair value of interest rate swaps	826	1,223
Foreign exchange gains on unhedged portion of foreign currency borrowings	-	14,830
Bank deposits	8	1
Other finance income	5	7
Total finance income	34,860	16,119
Finance costs		
Net finance costs on pensions	(72)	-
Interest on bank overdrafts and borrowings	(26,837)	(26,547)
Foreign exchange costs on unhedged portion of foreign currency borrowings	(6,838)	-
Other finance costs	(236)	(84)
Interest expenses on leases	(2,110)	(2,167)
Interest on amount owed to parent undertakings	(41,686)	(45,456)
Amortisation of finance costs	(8,742)	(3,671)
Total finance costs	(86,521)	(77,925)
Net finance costs	(51,661)	(61,806)

12 Other gains and losses

The analysis of the Group's other gains and losses for the year is as follows:

	Year ended 31 December 2020 £ 000	Year ended 31 December 2019 £ 000
Substantial modification of debt	(159,285)	-
Change in fair value of forward currency derivative assets/liabilities	428	484
	158,857	(484)

Please refer to note 31 for further details of how the substantial modification of debt has arisen in the year.

No other gains or losses have been recognised in respect of financial assets or liabilities held at fair value through profit or loss, other than as disclosed in note 10 and impairment losses recognised/reversed in respect of trade receivables in note 19.

13 Income tax

Tax charged/(credited) in the income statement

	Year ended 31 December 2020 £ 000	Year ended 31 December 2019 £ 000
Current taxation		
UK corporation tax adjustment to prior periods	(69)	79
Foreign tax	3,144	3,032
Total current income tax	3,075	3,111
Deferred taxation		
Arising from origination and reversal of temporary differences	4,500	(41,435)
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	(2,247)	(1,939)
Total deferred taxation	2,253	(43,374)
Tax charge/(credit) in the income statement	5,328	(40,263)

The applicable tax rate is the weighted average for the period of the local tax rates in the territories in which the Group operates. The weighted average rate is subject to fluctuations from year to year based on the level of taxable profits and losses in each jurisdiction.

During the period, there has been an impact to other comprehensive income. These movements relate to actuarial gains or losses on Defined Benefit Pension schemes within the Group.

Factors affecting the tax charge in future years

The Group's future tax charge, and effective tax rate, could be affected by several factors including: tax reform in countries around the world, future corporate acquisitions and disposals, any restructuring of our businesses and the resolution of open tax issues. In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. As the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

13 Income tax (continued)

The tax expense in the income statement can be reconciled to the loss per the income statement as follows:

	Year ended 31 December 2020 £ 000	Year ended 31 December 2019 £ 000
Profit/(loss) before tax	96,091	(307,874)
Tax on loss at 18.7% (31 December 2019: 18.2%)	17,969	(56,033)
(Decrease)/increase in current tax from adjustment for prior periods	(69)	79
(Decrease)/increase from effect of different tax rates on some earnings	(1,256)	1,695
Decrease from effect of income exempt from taxation	(34,319)	(273)
Increase from effect of expenses not deductible in determining taxable profit	2,383	19,339
Effect of group relief surrendered for nil consideration	1,612	-
Increase from tax losses for which no deferred tax asset was recognised	20,986	7,537
Increase from effect of foreign tax rates	209	371
Decrease in current tax from unrecognised tax loss or credit	-	(1,968)
Deferred tax credit from unrecognised temporary difference from a prior period	(2,247)	(1,939)
Other tax effects for reconciliation between accounting profit and tax expense/(income)	60	(142)
Total tax charge/(credit)	5,328	(31,334)

Deferred tax

Group

Deferred tax assets and liabilities

2020	Asset £ 000	Liability £ 000	Net deferred tax £ 000
Property, plant & equipment and intangibles	4,028	(10,143)	(6,115)
Other items	2,252	(1,590)	662
Tax losses carry-forwards	5,257	-	5,257
	11,537	(11,733)	(196)

2019	Asset £ 000	Liability £ 000	Net deferred tax £ 000
Property, plant & equipment and intangibles	6,755	(11,156)	(4,401)
Other items	1,974	(605)	1,369
Tax losses carry-forwards	4,982	-	4,982
	13,711	(11,761)	1,950

13 Income tax (continued)

	31 December 2020 £'000	31 December 2019 £'000
Deferred tax assets:		
- to be utilised within 12 months	1,049	1,246
- to be utilised after more than 12 months	10,488	12,465
	11,537	13,711
Deferred tax liabilities:		
- to be utilised within 12 months	(1,955)	(1,960)
- to be utilised after more than 12 months	(9,778)	(9,801)
	(11,733)	(11,761)

Deferred tax movement during the year:

	At 1 January 2020 £ 000	Recognised in income £ 000	Recognised in other comprehensive income £ 000	At 31 December 2020 £ 000
Property, plant & equipment and intangibles	(4,401)	(1,655)	(59)	(6,115)
Other items	1,369	(824)	117	662
Tax losses carry-forwards	4,982	226	49	5,257
Net tax assets/(liabilities)	1,950	(2,253)	107	(196)

Deferred tax movement during the prior year:

	At 1 January 2019 £ 000	Recognised in income £ 000	Recognised in other comprehensive income £ 000	At 31 December 2019 £ 000
Property, plant & equipment and intangibles	(44,168)	38,697	1,070	(4,401)
Other items	226	1,214	(71)	1,369
Tax losses carry-forwards	1,578	3,463	(59)	4,982
Net tax assets/(liabilities)	(42,364)	43,374	940	1,950

13 Income tax (continued)

Company

Deferred tax assets and liabilities

2020	Asset £ 000
Fair Value movements on hedging interest rates contracts	

2019	Asset £ 000
Fair Value movements on hedging interest rates contracts	140

	31 December 2020 £'000	31 December 2019 £'000
Deferred tax assets:		
- to be utilised within 12 months	-	-
- to be utilised after more than 12 months	-	140
	-	**140**
Deferred tax liabilities:		
- to be utilised within 12 months	-	-
- to be utilised after more than 12 months	-	-
	-	-

13 Income tax (continued)

Deferred tax movement during the year:

	At 1 January 2020 £ 000	Recognised in income £ 000	At 31 December 2020 £ 000
Fair Value movements on hedging interest rates contracts	140	(140)	-

Deferred tax movement during the prior year:

	At 1 January 2019 £ 000	Recognised in income £ 000	At 31 December 2019 £ 000
Fair Value movements on hedging interest rates contracts	348	(208)	140

Unrecognised deferred tax assets

The recognition of deferred tax assets, particularly in respect of tax losses, is based upon whether management judge it is probable that there will be sufficient taxable profits in the relevant entity or tax group against which to utilise the assets in the future.

At 31 December 2020, the Group has unrecognised deferred income tax assets totalling £62,400,000 (31 December 2019: £40,100,000). £14,600,000 (31 December 2019: £9,700,000) of this amount relates to temporary differences and £47,800,000 (31 December 2019: £30,400,000) relates to tax losses. The majority of the unrecognised tax losses of £42,600,000 (31 December 2019: £25,300,000) relates to undertakings in the UK, US, Norway, Italy and Singapore. No deferred tax asset is recognised since it is uncertain whether losses will be utilised. Deferred tax assets will be recognised when it considered more likely than not that there would be sufficient taxable profits against which to utilise the losses.

14 Investments

Company	Ordinary share capital £'000	Preference share capital £'000	Total £'000
Cost			
At 1 January 2019	114,745	259,683	374,428
At 31 December 2019	114,745	259,683	374,428
Effects of changes in exchange rates	-	-	-
At 31 December 2020	114,745	259,683	374,428
Impairment			
At 1 January 2019	114,745	259,683	374,428
At 31 December 2019	114,745	259,683	374,428
Charge for the year	-	-	-
At 31 December 2020	114,745	259,683	374,428
Carrying value			
At 31 December 2020	-	-	-
At 31 December 2019	-	-	-

The subsidiary undertakings of the Group at 31 December 2020 are set out below. Unless otherwise stated, the 100% interest in each undertaking is represented by equity capital and each undertaking operates from its country of incorporation. The preference shares above are issued by Survitec Holdings 1 Limited. The Company holds 100% of these preference shares. The share capital of all of the companies below, except for the share capital of Survitec Holdings 1 Limited and 1% of Wilhelmsen Safety do Brazil Ltda was held by subsidiary undertakings of the Company.

14 Investments (continued)

Group subsidiaries

Details of the Group subsidiaries as at 31 December 2020 are as follows:

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held 2020	2019
Survitec AUD Newco Limited	Finance Company	The Aspect, Fourth Floor 12 Finsbury Square London EC2A 1AS United Kingdom	100%	100%
Survitec Group Limited	Inflatable lifesaving, submarine escape & pilot flight equipment	The Aspect, Fourth Floor 12 Finsbury Square London EC2A 1AS United Kingdom	100%	100%
RFD Beaufort Limited	Inflatable lifesaving,submarine escape & pilot flight equipment	The Aspect, Fourth Floor 12 Finsbury Square London EC2A 1AS United Kingdom	100%	100%
Beaufort Air-Sea Equipment Limited	Dormant	The Aspect, Fourth Floor 12 Finsbury Square London EC2A 1AS United Kingdom	100%	100%
Shark Sports Limited	Dormant	The Aspect, Fourth Floor 12 Finsbury Square London EC2A 1AS United Kingdom	100%	100%
Lifeguard Equipment Limited	Dormant	The Aspect, Fourth Floor 12 Finsbury Square London EC2A 1AS United Kingdom	100%	100%
Nauticair Components Limited	Dormant	The Aspect, Fourth Floor 12 Finsbury Square London EC2A 1AS United Kingdom	100%	100%

14 Investments (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held 2020	2019
RFD (Northern Ireland) Limited	Dormant	Kingsway Dunmurry Belfast BT17 9AF	100%	100%
Survitec Group Pension Trust Limited	Trustee of Survitec Group Pension Scheme	1-5 Beaufort Road Birkenhead Merseyside CH41 1HQ	100%	100%
Kirkhill (Dormant) Limited	Dormant	The Aspect, Fourth Floor 12 Finsbury Square London EC2A 1AS United Kingdom	100%	100%
Survival-One Limited	Sales and rental of survival suits to the offshore oil & gas industry	Findon Shore Findon Aberdeen AB12 3RL	100%	100%
Seaweather Aviation Services Limited	Dormant	The Aspect, Fourth Floor 12 Finsbury Square London EC2A 1AS United Kingdom	100%	100%
Seaweather Holdings Limited	Dormant	The Aspect, Fourth Floor 12 Finsbury Square London EC2A 1AS United Kingdom	100%	100%
Seaweather Marine Services Limited	Dormant	The Aspect, Fourth Floor 12 Finsbury Square London EC2A 1AS United Kingdom	100%	100%
Survitec Group (USA) Inc	Holding Company	1420 Wolf Creek Trail PO Box 359 Sharon Center Ohio OH 44274, USA	100%	100%

14 Investments (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held 2020	2019
RFD Beaufort Inc.	Dormant	1420 Wolf Creek Trail PO Box 359 Sharon Center Ohio OH 44274, USA	100%	100%
Survitec Survival Products Inc.	Sales of marine safety equipment	1420 Wolf Creek Trail PO Box 359 Sharon Center Ohio OH 44274, USA	100%	100%
DSB Deutsche Schlauchboot GmbH	Inflatable liferafts, boats & special products	Angerweg 5 37632 Escherhausen Germany	100%	100%
Eurovinil S.p.A	Inflatable liferafts & large inflatable buildings	Via Genova 5 58100 Grosseto Italy	100%	100%
Survitec Group (Australia) Pty Limited	Holding Company	2 Burilda Close Wetherill Park NSW 2164 Australia	100%	100%
RFD (Australia) Pty Limited	Sales & service of marine safety equipment	2 Burilda Close Wetherill Park NSW 2164 Australia	100%	100%
RFD New Zealand Limited	Sales & service of marine safety equipment	Lockhart Place, Mount Wellington PO Box 2386 Auckland New Zealand	100%	100%
RFD Japan Limited	Sales & service of marine safety equipment	7-24 Shinyamashita 3-chome Naka-ku Yokohama Japan	80%	80%
Survitec Group (Singapore) Pte Limited	Sales & service of marine safety equipment	25 Senoko South Road Singapore 758081	100%	100%
W H Brennan & Co (Private) Limited	Sales & service of marine safety equipment	25 Senoko South Road Singapore 758081	100%	100%

14 Investments (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held 2020	2019
W H Brennan (Hong Kong) Limited	Sales & service of marine safety equipment	Room 1002, 10/F Sun Hing Industrial Building 22 Kinfat Street New Territories Tuen Mun Hong Kong	100%	100%
W H Brennan (Shanghai) Co Limited	Sales & service of marine safety equipment	Block 11 128 Dieqiao Road Shanghai 201315 China	100%	100%
Survitec Korea Co. Limited	Sales & service of marine safety equipment	90 Hwajeonsandan 5-ro, Gangseo-gu Busan 46738 South Korea	100%	100%
RFD France SAS	Sales & service of marine safety equipment	ZI les Estaches 214 Rue de Bruxelles 62730 Les Attaques France	100%	100%
Survitec Services & Distribution Limited	Sales & service of marine safety equipment`	The Aspect, Fourth Floor 12 Finsbury Square London EC2A 1AS United Kingdom	100%	100%
Survitec Service & Distribution S.L.	Holding Company	C/Jose Agustin Goytisilo 33 nave B1 08908 Hospitalet de LLobregat Barcelona Spain	100%	100%
Survitec Service & Distribution N.V.	Sales & service of marine safety equipment	Vitshoekstraat 44 2030 Antwerpen Belgium	100%	100%
Survitec Service & Distribution GmbH	Sales & service of marine safety equipment	Winsbergring 8 D-22525 Hamburg Germany	100%	100%

14 Investments (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held 2020	2019
Oceana Air Sea Trading Company B.V.	Holding Company	Willem Barentszstraat 47-49 Rotterdam 3165 AA Albrandswaard, the Netherlands	100%	100%
Survitec Service & Distribution B.V.	Sales & service of marine safety equipment	Willem Barentszstraat 47-49 Rotterdam 3165 AA Albrandswaard, the Netherlands	100%	100%
Survitec Group (France) SAS	Holding Company	Route de Chatenet 17210 Chevanceaux France	100%	100%
Survitec SAS	Inflatable lifesaving equipment	Route de Chatenet 17210 Chevanceaux France	100%	100%
DBC Marine Safety Systems Limited	Inflatable lifesaving equipment	1689 Cliveden Avenue, Delta Vancouver V3M 6V5 British Columbia Canada	100%	100%
Survitec Group Norway AS	Holding Company	Gangstovikeien 66 6009 Aalesund Norway	100%	100%
Survitec Norway AS	Sales & service of marine safety equipment	Gangstovikeien 66 6009 Aalesund Norway	100%	100%
Survitec Sweden AB	Sales & service of marine safety equipment	Ovädersgaten 7 418 34 Göteborg Sweden	100%	100%
Risk Security Service US Inc.	Sales & service of offshore oil & gas related safety equipment	1640-B Brittmore Road Houston Texas 77043 USA	100%	100%
Servaux Survitec SAS	Sales & service of marine safety equipment	765 Chemin du Littoral Anse de Saumaty 13016 Marseille France	50%	50%

14 Investments (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held 2020	2019
Survitec Global Solutions Limited	Operation of global raft hire projects	The Aspect, Fourth Floor 12 Finsbury Square London EC2A 1AS United Kingdom	100%	100%
Survitec Group International Limited	Administration of group network of service stations	The Aspect, Fourth Floor 12 Finsbury Square London EC2A 1AS United Kingdom	100%	100%
Survitec Survival Craft Limited	Sales & service of marine safety equipment	Findon Shore Findon Aberdeen AB12 3RL Scotland	100%	100%
Survitec Survival Craft Inc	Sales & service of marine safety equipment	5847 San Felipe San Felipe Plaza, Suite 1700 Houston, Texas TX77062 USA	100%	100%
Survitec Viscom Limited	Training & media services	Findon Shore, Findon Aberdeen AB12 3RL Scotland	100%	100%
Survitec Safety Solutions do Brasil Ltda	Maritime products and services	Rua Bispo Lacerda 61/67 Del Castilho Rio de Janeiro Brazil	100%	100%
Survitec Safety Solutions Canada Inc.	Maritime products and services	1689 Cliveden Avenue, Delta Vancouver V3M 6V5 British Columbia Canada	100%	100%
Survitec Safety Solutions Panama S.A.	Maritime products and services	Int.Business Park Flexi Bodegas Unit #4 Panama Pacifico	100%	100%
Survitec Safety Solutions US LLC	Maritime products and services	9400 New Century Drive Pasadena Texas 77507 United States	100%	100%

14 Investments (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held 2020	2019
Survitec Safety Solutions Australia Pty Limited	Maritime products and services	2 Burilda Close Wetherill Park NSW 2164 Australia	100%	100%
Survitec Safety Solutions China Co. Ltd	Maritime products and services	Block 11 128 Dieqiao Road Shanghai 201315 China	100%	100%
Survitec Safety Solutions Hong Kong Ltd	Maritime products and services	Room 1104-6, 11th Floor Lu Plaza 2 Wing Yip Street Kwun Tong Kowloon Hong Kong	100%	100%
Survitec Safety Solutions Japan Co. Limited	Maritime products and services	13th Floor Gontenyama Trust Tower 7-35 Kitashinagawa 4-chome Shinagawa-Ku 140-0001 Tokyo	100%	100%
Survitec Safety Solutions Korea Co. Limited	Maritime products and services	90 Hwajeonsandan 5-ro, Gangseo-gu Busan 46738 South Korea	100%	100%
Survitec Safety Solutions Malaysia Sdn. Bhd.	Maritime products and services	18th Floor, 1 Sentral Jalan Rakyat, Kuala Lumpur Sentral Kuala Lumpur 50470 Malaysia	100%	100%
Survitec Safety Solutions Singapore Pte Limited	Maritime products and services	25 Senoko South Road Singapore 758081	100%	100%
Survitec Safety Solutions Belgium NV	Maritime products and services	Vosseschijnstraat 44 2030 Antwerpen Antwerp Belgium	100%	100%
Survitec Safety Solutions Cyprus Limited	Maritime products and services	Atlantis Building, Office 101, 1st Floor 2 Makariou III Ave, Mesa Yito Limassol CY-3036 Cyprus	100%	100%

14 Investments (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held 2020	2019
Survitec Safety Solutions Germany Gmbh	Maritime products and services	1 Riedemannstr Bremerhaven 27572 Germany	100%	100%
Survitec Safety Solutions Hellas Sole-Shareholder SA	Maritime products and services	D. Moutsopoulo 100, Piraeus Greece 18541	100%	100%
Survitec Safety Solutions Italy Srl	Maritime products and services	Corso Perrone 9N/19S Genova Italy 16152	100%	100%
Survitec Safety Solutions Netherlands BV	Maritime products and services	Willem Barentszstraat 47-49 Rotterdam 3165 AA Albrandswaard, the Netherlands	100%	100%
Survitec Safety Solutions Poland Sp. z.o.o	Maritime products and services	UL. Plac Rodla 9 2nd Floor Szczecin 70-419 Poland	100%	100%
Survitec Safety Solutions Portugal SUL	Maritime products and services	Fracçao E, Zona Industrial do Carvalhinho Moita 2860-579 Portugal	100%	100%
Survitec Safety Solutions Spain SL	Maritime products and services	C/Jose Agustin Goytisilo 33 nave B1 08908 Hospitalet de Llobregat Barcelona Spain	100%	100%
Survitec Safety Solutions Canarias SLU	Maritime products and services	12 Cuzco Las Palmas de Gran Canaria 35008 Spain	100%	100%
Survitec Safety Solutions UK Limited	Maritime products and services	The Aspect, Fourth Floor 12 Finsbury Square London EC2A 1AS United Kingdom	100%	100%

14 Investments (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held 2020	2019
Survitec Safety Solutions South Africa Proprietary Limited	Maritime products and services	49 Island Circle, Riverhorse Valley Durban 4017 South Africa	100%	100%
Survitec Safety Solutions Turkey STI	Maritime products and services	Abide-i Hürriyet Caddesi Bolkan Center C Blok No:211 K:3 Şişli İstanbul 34381 Turkey	100%	100%
Survitec Safety Solutions Norway AS	Maritime products and services	Strandveien 20 1366 Lysaker Norway	100%	100%
Survitec Fire Solutions Japan Co. Limited	Fire safety systems	2-63 Imazunishihama-cho Nishinomiya-shi Hyogo	100%	100%
Survitec Fire Solutions Norway AS	Holding Company	Strandveien 20 1366 Lysaker Baerum Oslo Norway	100%	100%
Survitec Fire Solutions Poland Sp. z.o.o	Fire Safety Solutions	Stobno 74 72-002 Stobno Poland	100%	100%
Survitec Fire Solutions Singapore Pte. Limited	Fire Safety Solutions	25 Senoko South Road Singapore 758081	100%	100%
Survitec Fire Solutions Korea Co. Limited	Fire Safety Solutions	90 Hwajeonsandan 5-ro, Gangseo-gu Busan 46738 South Korea	100%	100%
Novenco Fire Fighting A/S	Fire Fighting Solutions	Lille Tombjerg Vej 30 5220 Odense SØ Denmark	100%	100%
Maritime Protection AS	Fire Safety Solutions	Rigedalen 13 Kristiansand 4626 Norway	100%	100%

14 Investments (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held 2020	2019
Survitec Fire Solutions China Co. Limited	Fire Safety Solutions	Block 11 128 Dieqiao Road Shanghai 201315 China	100%	100%
RFD Limited	Dormant	The Aspect, Fourth Floor 12 Finsbury Square London EC2A 1AS United Kingdom	100%	100%
Survitec Holdings 1 Limited (formerly - Survitec Group (Cayman Islands) Limited)	Holding Company	c/o Intertrust Corporate Services (Cayman) Limited 190 Elgin Avenue George Town KY1-9005 Cayman Islands	100%	100%
Survitec Group (Finance 1) Limited	Dormant	The Aspect, Fourth Floor 12 Finsbury Square London CH41 1HQ United Kingdom	100%	100%
Survitec Safety Equipment Trading and Installation LLC	Maritime products and services	24th Damac Executive Height Bldg P.O.Box:12089 Tecom C Dubai	49%	49%
Survitec Group Holdco Limited	Intermediate holding company	The Aspect, Fourth Floor 12 Finsbury Square London EC2A 1AS United Kingdom	100%	0%
Battlefield Sim Limited	Maritime products and services	The Aspect, Fourth Floor 12 Finsbury Square London EC2A 1AS United Kingdom England	100%	0%

14 Investments (continued)

Business combinations

100% of the issued share capital of Battlefield Sim Limited was acquired by Survitec Group Limited on 23 October 2020 for consideration of £266,000.

A business combinations note is not included as the acquisition is not material.

15 Intangible assets

Group

	Contractual customer relationships £ 000	Developed technology £ 000	Patents, trademarks, brands and other intangibles £ 000	Total £ 000
Cost				
At 1 January 2019	194,625	117,862	47,388	359,875
Additions	-	5,170	1,393	6,563
Disposals	-	-	(324)	(324)
Foreign exchange movements	(2,968)	(516)	(328)	(3,812)
At 31 December 2019	191,657	122,516	48,129	362,302
At 1 January 2020	191,657	122,516	48,129	362,302
Additions	-	5,197	1,626	6,823
Foreign exchange movements	(354)	84	229	(41)
At 31 December 2020	191,303	127,797	49,984	369,084
Amortisation				
At 1 January 2019	55,752	35,756	18,700	110,208
Amortisation charge	18,809	9,614	4,307	32,730
Amortisation eliminated on disposals	-	-	(29)	(29)
Impairment	57,956	52,244	12,526	122,726
Foreign exchange movements	(674)	(59)	(133)	(866)
At 31 December 2019	131,843	97,555	35,371	264,769
At 1 January 2020	131,843	97,555	35,371	264,769
Amortisation charge	8,457	3,820	2,053	14,330
Impairment	5,580	1,783	3,449	10,812
Foreign exchange movements	26	9	157	192
At 31 December 2020	145,906	103,167	41,030	290,103
Carrying amount				
At 31 December 2020	45,397	24,630	8,954	78,981
At 31 December 2019	59,814	24,961	12,758	97,533
At 1 January 2019	138,873	82,106	28,688	249,667

15 Intangible assets (continued)

There were impairments to intangibles and property, plant and equipment during the year ended 31 December 2020. (31 December 2019: impairments to goodwill, intangibles and property, plant and equipment).

Under the terms of the Group's facilities agreement, the Group has granted a fixed and floating charge over the assets held by Group companies that are subject to the finance recourse group. As at the year end, the total value of intangible assets subject to such charge was £13,590,000 (31 December 2019: £8,051,000).

£5,197,000 of developed technology was purchased in the year, net of capital grants received of £1,035,000.

The Group tests its non-current assets annually for impairment or more frequently if there are indications that they might be impaired. Fair values are estimated based on level 3 inputs within the IFRS 13 fair value hierarchy. The carrying amount of each CGU is compared to the fair value less costs to sell of the CGU. Discounted cashflow models has been used to determine the carrying value of each CGU. As disclosed in note 3, there are two CGU's for the year ended 31 December 2020 (31 December 2019: One).

The recoverable amount of the CGUs has been determined based on fair value less costs to sell calculations. The calculation uses post-tax cash flow projections based on financial forecasts approved by Management covering a five-year period. Cash flows beyond the five-year period are extrapolated using a terminal value. The growth rate does not exceed the long-term average growth rate for the sector in which the CGU operates.

The key assumptions for the Defence CGU were growth rates within the five-year financial budgets (long term growth rate 2%) and weighted average cost of capital (11.16%). The key assumptions for the Marine CGU were growth rates within the five-year financial budgets (long term growth rate at 2%), weighted average cost of capital (9.72%) and operating efficiencies.

The impairment review concluded on 31 December 2020 that the recoverable amount of the Defence CGU exceeded its carrying amount. The recoverable amount of the CGU was £184,680,000, compared to a carrying value of £35,143,000. In the prior year, the Defence CGU was impaired by £35,418,000, after considering amortisation that would have been charged in the period had an impairment not been accounted for, a reversal has been recognised in the year totalling £32,768,000. This has been attributed to intangibles and property, plant and equipment of the Defence CGU.

The impairment review concluded on 31 December 2020 that the recoverable amount of the Marine CGU did not exceeded its carrying amount, and as such, an impairment has been recognised. The carrying value of the Marine CGU pre impairment is £121,549,000 and after impairment is £94,899,000, resulting in an impairment of £26,650,000 being recognised (£32,901,000 impairment of intangible assets and property, plant and equipment, with a corresponding reduction in deferred tax liabilities of £6,251,000)

A summary of the effects of the impairment review within each CGU is shown below:

	Marine CGU impairment	**Defence CGU reversal of impairment**	**Income statement impact**
Intangibles (impairment)/reversal of impairment	(19,947)	30,759	**10,812**
Property, plant and equipment (impairment)/reversal of impairment	(12,954)	2,009	**(10,945)**
Total	**(32,901)**	**32,768**	

15 Intangible assets (continued)

If the long term growth rate percentage and/or WACC percentage increased or decreased by 0.5%, the change in level of any impairment within each CGU would be as follows (all amounts stated in £m and positive numbers represent an increase in the impairment charge):

	Average EBITDA Growth Rate		
Marine division	**1.50%**	**2.00%**	**2.50%**
Discount rate of 9.22%	2	11	21
Discount rate of 9.72%	(8)	-	9
Discount rate of 10.22%	(16)	(10)	(2)

Sensitivity calculations have been performed on the Defence CGU and do not result in any risk of impairment.

Planned operating efficiencies are included in the cashflow calculations of the impairment. If operating efficiencies increased or decreased by 0.5% this would result in a decrease or increase in the level of impairment in the Marine CGU by £600,000.

16 Property, plant and equipment

Group

	Land £ 000	Freehold buildings £ 000	Leaseholds £ 000	Other property, plant and equipment £ 000	Total £ 000
Cost					
At 1 January 2019	1,117	12,130	9,855	105,466	128,568
Additions	-	620	1,072	16,383	18,075
Disposals	-	(290)	(31)	(9,855)	(10,176)
Transfer	-	7,285	(7,285)	-	-
Transfers	-	-	(545)	-	(545)
Foreign exchange movements	-	(725)	(67)	(2,710)	(3,502)
At 31 December 2019	1,117	19,020	2,999	109,284	132,420
At 1 January 2020	1,117	19,020	2,999	109,284	132,420
Additions	-	602	1,451	14,454	16,507
Disposals	-	(553)	(46)	(3,133)	(3,732)
Foreign exchange movements	30	412	45	886	1,373
At 31 December 2020	1,147	19,481	4,449	121,491	146,568
Depreciation					
At 1 January 2019	-	3,042	1,995	34,649	39,686
Charge for year	-	776	1,610	18,936	21,322
Eliminated on disposal	-	(290)	(30)	(7,768)	(8,088)
Impairment	551	6,111	1,628	31,653	39,943
Transfers	-	3,583	(3,583)	-	-
Foreign exchange movements	(7)	(509)	12	(851)	(1,355)
At 31 December 2019	544	12,713	1,632	76,619	91,508
At 1 January 2020	544	12,713	1,632	76,619	91,508
Charge for the year	-	847	588	10,892	12,327
Eliminated on disposal	-	(553)	(21)	(2,359)	(2,933)
Impairment/(impairment reversal)	41	(519)	(671)	(9,796)	(10,945)
Foreign exchange movements	8	370	-	828	1,206
At 31 December 2020	593	12,858	1,528	76,184	91,163
Carrying amount					
At 31 December 2020	554	6,623	2,921	45,307	55,405
At 31 December 2019	573	6,307	1,367	32,665	40,912
At 1 January 2019	1,117	9,088	7,701	70,817	88,723

16 Property, plant and equipment (continued)

Under the terms of the Group's facilities agreement, the Group has granted a fixed and floating charge over the assets held by Group companies that are subject to the Group's banking facilities. As at the reporting date the total value of property, plant and equipment subject to such charge was £53,123,000 (31 December 2019: £39,035,000).

The Group tests its non-current assets annually for impairment or more frequently if there are indications that they might be impaired. Fair values are estimated based on level 3 inputs within the IFRS 13 fair value hierarchy. The carrying amount of each CGU is compared to the fair value less costs to sell of the CGU. Discounted cashflow models has been used to determine the carrying value of each CGU. As disclosed in note 3, there are two CGU's for the year ended 31 December 2020 (31 December 2019: One).

Impairments during the year ended 31 December 2020 were in respect of intangibles and property, plant and equipment in the Marine CGU (31 December 2019: goodwill, intangibles and property, plant and equipment in the Group CGU). Please refer to note 15 for sensitivity analysis.

The 2020 impairment review resulted in a reversal of prior year impairment in respect of intangibles and property, plant and equipment in the Defence CGU.

17 Right of use assets

Group

	Machinery £ 000	Property £ 000	Total £ 000
Cost			
At 1 January 2019	6,171	25,237	31,408
Additions	753	1,592	2,345
Disposals	(31)	(180)	(211)
Movements in Foreign Exchange	(170)	(603)	(773)
At 31 December 2019	6,723	26,046	32,769
At 1 January 2020	6,723	26,046	32,769
Additions	848	13,088	13,936
Disposals	(967)	(3,490)	(4,457)
Movements in Foreign Exchange	286	546	832
At 31 December 2020	6,890	36,190	43,080
Depreciation			
At 1 January 2019	-	-	-
Charge for year	2,275	6,330	8,605
Eliminated on disposal	(31)	(180)	(211)
Movements in Foreign Exchange	(53)	(143)	(196)
At 31 December 2019	2,191	6,007	8,198
At 1 January 2020	2,191	6,007	8,198
Charge for the year	2,366	5,580	7,946
Eliminated on disposal	(959)	(2,674)	(3,633)
Movements in Foreign Exchange	104	117	221
At 31 December 2020	3,702	9,030	12,732
Carrying amount			
At 31 December 2020	3,188	27,160	30,348
At 31 December 2019	4,532	20,039	24,571

18 Inventories

	Group	
	31 December 2020 £ 000	31 December 2019 £ 000
Raw materials and consumables	16,774	15,607
Work in progress	8,894	7,501
Finished goods and goods for resale	29,970	35,926
	55,638	59,034

Provisions against inventory at the start of the period totalling £Nil (31 December 2019: £2,820,000) were released to raw materials and consumables used during the period. Provisions against inventory as at 31 December 2020 are £5,940,000 (31 December 2019: £7,437,000).

19 Trade and other receivables (current)

	Group		Company	(As restated) Note 33
	31 December 2020 £ 000	31 December 2019 £ 000	31 December 2020 £ 000	31 December 2019 £ 000
Trade receivables	51,058	57,925	-	-
Provision for impairment of trade receivables	(651)	(1,208)	-	-
Net trade receivables	50,407	56,717	-	-
Prepayments	7,202	7,608	-	20
Other receivables	9,080	3,518	-	-
Amounts due from Group undertakings	162	157	154,382	151,481
VAT	5,739	5,638	-	-
	72,590	73,638	154,382	151,501

There are two customers who each represent more than 5 per cent of the total balance of trade receivables (2019: nil). The total balance owing from these two customers at 31 December 2020 is £6,038,000.

Amounts owed by Group undertakings accrued interest between 0% - 6%, are unsecured and receivable on demand.

Other receivables include loans made to management.

19 Trade and other receivables (current) (continued)

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

	31 December 2020 £'000	31 December 2019 £'000
Contract assets recognised at start of the year	6,491	7,083
Revenue recognised in previous periods that were received during the year	(6,491)	(7,083)
Revenue recognised during the year which will not be invoiced until after the year end	6,417	6,491
Balance at the end of the year	**6,417**	**6,491**

Revenue recognised in advance of invoicing £6,417,000 (31 December 2019: £6,491,000) are expected to be invoiced in the year ending 31 December 2021.

As at 31 December 2020, there was a loss allowance against trade receivables of £651,000 (31 December 2019: £1,208,000). See below for the movements in the loss allowance for trade receivables.

	31 December 2020 £'000	31 December 2019 £'000
Balance at start of the year	(1,208)	(2,753)
Effect of foreign exchange rate movements	(18)	59
Amounts written off as uncollectible	406	1,120
Release of loss allowance	714	1,111
Additional loss allowance	(545)	(745)
Balance at the end of the year	**(651)**	**(1,208)**

Trade receivables disclosed above include amounts (see below for aged analysis) against which the Group has not fully recognised a loss allowance for receivables because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

19 Trade and other receivables (current) (continued)

Age of trade receivables	**Group**	
	31 December 2020 £ 000	**31 December 2019 £ 000**
Neither past due nor impaired	42,653	43,200
7 to 30 days	5,165	8,870
31 to 60 days	1,493	2,497
61 to 90 days	350	782
> 90 days	746	1,368
	50,407	56,717

Past due receivables that are not impaired relate to customers for whom there is no recent history of default and for which there are no other indications that they will not be able to meet their obligations.

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

The expected loss rates are based on the payment profiles of sales over a period of 12 months before 31 December 2020 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The default rate on receivables during the period is <1% (2019: <1%).

The Company has considered the expected credit loss applied to amounts owed by subsidiary undertakings in accordance with IFRS 9. These amounts are due on demand and the Company has assessed that the subsidiary undertakings do not have sufficient liquid resources to repay this balance immediately. The company has determined that the most likely scenario for recovery of these balances is to seek to sell the operating group and has therefore calculated the expected credit loss by discounting the Fair Value less Costs of Disposal of the operating group for the estimated period to any disposal. On this basis the Company partially reversed an expected credit loss brought forward from prior periods totalling £67,819,000 during the year (2019: impaired £294,917,000), resulting in a carrying value of the amounts due from subsidiary undertakings of £154,382,000 (2019: £151,481,000 as restated see note 33).

The Directors consider the carrying amount of trade and other receivables is approximately equal to their fair value. The maximum exposure to customer credit risk at the reporting date is the currency value of the trade receivables shown above.

Before accepting any new customer, the Group assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed periodically.

19 Trade and other receivables (current) (continued)

	31 December 2020		31 December 2019	
	Group £'000	**Company £'000**	**Group £'000**	**Company £'000**
UK pound	29,487	103	23,220	135
Euro	8,011	-	9,842	-
US dollars	2,814	-	3,067	-
Canadian dollars	1,450	-	1,835	-
Australian dollars	2,795	-	3,610	-
Singapore dollars	2,002	-	3,852	-
Norwegian Krone	17,308	-	18,304	-
Chinese Yuan Reminbo	3,128	-	2,823	-
Other currencies	5,595	-	7,085	-
	72,590	**103**	**73,638**	**135**

20 Cash and cash equivalents

	Group		Company	(As restated) Note 33
	31 December 2020 £ 000	**31 December 2019 £ 000**	**31 December 2020 £ 000**	**31 December 2019 £ 000**
Cash at bank	83,947	51,000	20	28
Bank overdrafts	(12,974)	(9,141)	-	-
Cash and cash equivalents in statement of cash flows	70,973	41,859	20	28

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying period of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

21 Share-based payments

Share-based payment transactions

Group	2020 £ 000	2019 £ 000
Arising from equity settled share-based payment transactions	-	-

Company	2020 £ 000	2019 £ 000
Arising from equity settled share-based payment transactions	-	-

The Ultimate Parent Undertaking (Note 32) issued B and C Ordinary Shares to certain of the group's employees as a staff incentive arrangement. A total of 1,285,576 B Ordinary Shares and 321,396 C Ordinary Shares were outstanding at 31 December 2020. The B and C Ordinary Shares have been accounted for as an equity-settled share-based payment and therefore have no impact on the balance sheet position.

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

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

The B and C Ordinary Shares were acquired for total consideration of £1,700,000 which was determined to be not less than the estimated grant date fair value of the B and C Ordinary Shares. As such no IFRS 2 expense has been recognised in relation to the B and C Ordinary Shares.

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

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

22 Share capital

Authorised, allotted, called up and fully paid shares

	31 December 2020 No. 000	31 December 2020 £ 000	31 December 2019 No. 000	31 December 2019 £ 000
Ordinary shares of £1 each	928	928	928	928

On 28 November 2014, the date of incorporation, 927,657 shares of £1 each were issued. The shares were allotted on 12 March 2015. The ordinary shares are non-redeemable but shall hold full rights in respect of voting, and shall entitle the holder to full participation in respect of equity and in the event of a winding up of the company. The shares may be considered by the Directors when considering dividends from time to time.

23 Leases

Group
For details of Right of Use Assets, see Note 17. The details of lease liabilities are set out below.

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

	31 December 2020 £ 000	31 December 2019 £ 000
Within one year	6,527	7,381
Later than one year and not later than five years	15,372	14,367
Later than five years	10,614	4,312
Total lease liabilities	32,513	26,060

23 Leases (continued)

Total cash outflows related to leases

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

	31 December 2020 £ 000	31 December 2019 £ 000
Payment		
Payment of capital element of lease liabilities	7,968	7,400
Interest	2,071	2,167
Low value leases	14	572
Short term leases	75	168
Termination payments	3	28
Total cash outflow	10,131	10,335

The Group is potentially exposed to future cash outflows of £456,000 (31 December 2019: £339,000) relating to extension options on leases for which exercise is not deemed to be reasonably certain. These have not been included in the lease liability. There are no other significant potential cash outflows relating to leases. Amounts recognised in the Consolidated Income Statement are set out in Note 9.

Leases as lessor

The Group rents out liferafts as operating leases. These leases have terms of between one and five years. All leases include a clause to enable upward revision of the rental charge on an annual basis accounting to prevailing market conditions.

Future minimum rentals receivable under non-cancellable operating leases as at this periods end are as follows:

	2020 £ 000	2019 £ 000
No later than 1 year	22,126	22,218
Later than 1 year and no later than 5 years	13,621	16,082
Later than 5 years	50	31
	35,797	38,331

24 Finance lease receivable

Lease receivables maturity analysis

	2020 £ 000	2019 £ 000
Amounts falling due over one year:		
Finance lease - gross receivable	138	596
Amounts falling due within one year:		
Finance lease - gross receivable	176	264
	314	860

25 Loans and borrowings

	Group		Company	
	31 December 2020 £ 000	31 December 2019 £ 000	31 December 2020 £ 000	31 December 2019 £ 000
Non-current loans and borrowings				
Bank borrowings	151,316	462,205	-	460,638
Other loans	2,762	-	-	-
Amounts owed to parent undertakings	220,342	499,914	216,541	500,804
	374,420	962,119	216,541	961,442

	Group		Company	
	31 December 2020 £ 000	31 December 2019 £ 000	31 December 2020 £ 000	31 December 2019 £ 000
Current loans and borrowings				
Bank borrowings	947	1,040	-	-
Bank overdrafts	12,974	9,141	-	-
	13,921	10,181	-	-

25 Loans and borrowings (continued)

Analysis of loans and borrowings by currency:

Group	Sterling £'000	Euro £'000	Other £'000	Total £'000
31 December 2020				
Bank overdrafts	12,974	-	-	12,974
Bank loans	947	150,496	820	152,263
Amounts owed to parent undertakings	220,342	-	-	220,342
Other loans	-	-	2,762	2,762
	234,263	**150,496**	**3,582**	**388,341**
31 December 2019				
Bank overdrafts	8,394	-	747	9,141
Bank loans	196,914	261,493	4,838	463,245
Amounts owed to parent undertakings	499,914	-	-	499,914
	705,222	**261,493**	**5,585**	**972,300**

Company	Sterling £'000	Euro £'000	Other £'000	Total £'000
31 December 2020				
Bank loans	-	-	-	-
Amounts owed to parent/subsidiary undertakings	216,541	-	-	216,541
	216,541	**-**	**-**	**216,541**
31 December 2019				
Bank loans	194,892	261,493	4,253	460,638
Amounts owed to parent/subsidiary undertakings	500,804	-	-	500,804
	695,696	**261,493**	**4,253**	**961,442**

25 Loans and borrowings (continued)

The other principal features of the Group's borrowing before deduction of unamortised finance costs are as follows:

	Group		Company	
	31 December 2020 £'000	31 December 2019 £'000	31 December 2020 £'000	31 December 2019 £'000
Euro loans at 6% plus EURIBOR	150,496	-	-	-
Yen loans at 5%	284	-	-	-
Sterling loans at 5.25%/4.75% above LIBOR	-	140,000	-	140,000
Euro loans at 4.75%/4.25% above EURIBOR	-	261,493	-	261,493
Sterling loans at 5.3%/4% above LIBOR	-	63,634	-	63,634
Sterling loans at 6.05%	947	2,021	-	-
Other currency loans at 6.4%/4% above LIBOR	536	4,839	-	4,253
Loan notes owed to parent undertaking at 10%	220,342	499,914	216,541	500,803
Danish Maritime Foundation interest free loan	380	-	-	-
USD government interest free loans	2,382	-	-	-
Bank overdrafts	12,974	9,141	-	-
	388,341	**981,042**	**216,541**	**970,183**
Unamortised finance costs	-	(8,742)	-	(8,742)
	388,341	**972,300**	**216,541**	**961,441**

The Group has previously entered a number of interest rate swaps which effectively fix the interest rate on a proportion of the Sterling and Euro denominated loans. The principal amount of the interest rate swap contracts at the year end are £Nil (31 December 2019: £188,902,000) which represents nil% (31 December 2019: 40%) of the total principal value of the variable rate Sterling and Euro loans shown in the table above.

The majority of the above external loans will be repayable in 2021 or 2022 with the exception of bank overdrafts which are repayable on demand. Interest payable at a minimum twice-yearly. The loans are secured by fixed and floating charges over the Group's major assets. Bank loans under a Group facility are subject to quarterly covenant calculations based on EBITDA. The loan notes repayable to parent undertakings are repayable in March 2022 and interest payable on this amount rolled-up into the outstanding balance.

Included in loan notes owed to parent undertakings is an amount of £207,361,000 which represents the fair value of a principal loan amount of £367,000,000.

Please refer to note 34 for further information on post balance sheet events, including the Group's refinancing activities.

The fair value of total borrowings of the Group is not considered to be different to the carrying value (31 December 2019: fair value of £143,900,000, £828,400,000 below carrying value which reflects the impairment of the carrying value of the Group CGU). The fair value of total borrowings of the Company is not considered to be different to the carrying value (31 December 2019: £143,900,000, £817,540,000 below carrying value which reflects the impairment of the carrying value of the subsidiary group CGU).

25 Loans and borrowings (continued)

Reconciliation of movements of liabilities to cash flows arising from financing activities

Group	Bank Overdrafts £'000	Other loans and borrowings £'000	Lease liability £'000	Accrued interest £'000	Total £'000
Balance at 1 January 2020	(9,140)	(971,901)	(26,060)	(17,927)	(1,025,028)
Substantial modification	-	159,285	-	-	159,285
Capital contribution	-	533,333	-	-	533,333
Interest capitalised	-	(6,457)	-	6,457	-
Interest released	-	-	-	34,005	34,005
Unamortised finance costs released	-	-	-	8,822	8,822
New leases	-	-	(13,936)	-	(13,936)
Lease payments	-	-	8,730	-	8,730
Leases disposed of	-	-	824	-	824
Drawdown of loans and borrowings	-	(40,694)	-	-	(40,694)
Interest paid	-	-	-	2,922	2,922
Effect of changes in foreign exchange rates	6	(7,251)	-	-	(7,245)
Change in bank overdrafts	(3,840)	-	-	-	(3,840)
Interest charges	-	(41,686)	(2,071)	(35,854)	(79,611)
Balance as at 31 December 2020	**(12,974)**	**(375,371)**	**(32,513)**	**(1,575)**	**(422,433)**

25 Loans and borrowings (continued)

Group	Bank Overdrafts £'000	Other loans and borrowings £'000	Lease liability £'000	Accrued interest £'000	Total £'000
Balance at 1 January 2019	(20,517)	(903,369)	(219)	(6,352)	(930,457)
Transition to IFRS 16	-	-	(31,775)	-	(31,775)
New leases	-	-	(2,034)	-	(2,034)
Lease payments	-	-	7,400	-	7,400
Drawdown of loans and borrowings	-	(37,638)	-	-	(37,638)
Repayment of loans and borrowings	-	634	-	-	634
Interest paid	51	-	-	15,119	15,170
Effect of changes in foreign exchanges rates	20	13,928	-	-	13,948
Change in bank overdrafts	11,306	-	-	-	11,306
Interest charges	-	(45,456)	568	(26,694)	(71,582)
Balance as at 31 December 2019	**(9,140)**	**(971,901)**	**(26,060)**	**(17,927)**	**(1,025,028)**

25 Loans and borrowings (continued)

Company	**Other loans and borrowings £'000**	**Accrued interest £'000**	**Total £'000**
Balance at 1 January 2020	(970,183)	(17,847)	(988,030)
Substantial modification of debt	159,285	-	159,285
Drawdown of loans and borrowings	(127)	-	(127)
Repayments of loans and borrowings	100,000	-	100,000
Interest paid	-	1,228	1,228
Effect of changes in foreign exchange rates	1,169	-	1,169
Interest charges	(40,018)	(26,127)	(66,145)
Capital contribution	533,333	-	533,333
Unamortised finance costs released	-	8,741	8,741
Interest released	-	34,005	34,005
Balance as at 31 December 2020	**(216,541)**	**-**	**(216,541)**

Company	**(As restated) Other loans and borrowings £'000**	**Accrued interest £'000**	**Total £'000**
Balance at 1 January 2019	(907,726)	(6,347)	(914,073)
Drawdown of loans and borrowings	(37,888)	-	(37,888)
Repayments of loans and borrowings	7,138	-	7,138
Interest paid	-	14,156	14,156
Effect of changes in foreign exchange rates	13,749	-	13,749
Interest charges	(45,456)	(25,656)	(71,112)
Balance as at 31 December 2019	**(970,183)**	**(17,847)**	**(988,030)**

26 Retirement benefit schemes

	31 December 2020			31 December 2019		
	Funded	Unfunded	Total	Funded	Unfunded	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Net employee defined benefit liability (before deferred tax)	2,329	7,180	9,509	197	6,818	7,015

	31 December 2020			31 December 2019		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Fair value of scheme assets	78,504	3,532	82,036	71,532	3,452	74,984

Defined contribution schemes

In the UK the Group operates defined contribution schemes in respect of certain employees. The charge against profit is the amount of contributions payable to the pension scheme during the period.

In the USA, the Group operates defined contribution plans with optional funding opportunities provided by a designated company for all eligible full time employees.

In Australia, the Group operates a defined contribution scheme in accordance with statutory requirements and local customs and practice.

The total pension charge during the period for the Group's defined contribution plans amounts to £3,362,000 (31 December 2019: £3,292,000) The Group also contributed £389,000 to personal pension plans during the period (31 December 2019: £1,662,000).

Defined benefit schemes

In Germany the Group operates an unfunded defined benefit plan, which in accordance with local customs and practice is financed through book reserves. The reserve held at 31 December 2020 amounts to £6,189,000 (31 December 2019: £5,929,000) using a conversion rate of 1.1132 (31 December 2019: 1.1776) to the £.

The fair value of the plan assets is therefore the present value of these accrued pension rights assessed using the discount rate at the statement of financial position date. In addition to allowing for cash flows, the asset value has therefore also been adjusted for the change in discount rates. The value of accruing benefits over the period plus interest on past benefits passes through the income statement, offset by expected return on the plan assets. The re-measurement of plan liabilities (and also that of the plan assets) passes through other comprehensive income.

26 Retirement benefit schemes (continued)

In the UK contributions to the scheme are charged to the income statement so as to spread the cost of providing pensions over the employees' working lives with the Group. Rates of contributions are determined by the trustees in accordance with the recommendation of independent actuaries using the projected unit method. Actuarial valuations are prepared every three periods. The most recent formal actuarial valuation was carried out as at 31 March 2020 by a qualified Actuary. The present value of the defined benefit obligation, the related current service cost and past service cost was measured using the projected unit method.

While the UK scheme is in a net surplus position, the Group does not recognise the surplus but recognises an additional liability due to minimum funding requirements. As at 31 December 2020, the minimum funding liability amounted to £1,750,000 (31 December 2019: £451,000).

The key assumptions used are as follows:

31 December 2020

	UK	Germany	Norway	Netherlands
Rate of increase in salaries	N/A	2.5%	1.75%	1.5%
Rate of pension increases	3.5%	1.75%	0.1%	N/A
Discount rate	1.4%	0.8%	1.7%	1.2%
Inflation assumption	2.85%	1.75%	1.5%	N/A

31 December 2019

	UK	Germany	Norway	Netherlands
Rate of increase in salaries	N/A	2.5%	2.5%	1.5%
Rate of pension increases	3.6%	1.75%	0.1%	N/A
Discount rate	2.8%	1.8%	2.7%	2.2%
Inflation assumption	3.1%	1.75%	N/A	N/A

26 Retirement benefit schemes (continued)

Mortality assumptions

Investigations have been carried out within the past three periods into the mortality experience of the Group's defined benefit schemes. These investigations concluded that the current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

31 December 2020

	UK	Germany	Norway	Netherlands
Retiring today:				
Males	21.1	20.3	22.5	21.2
Females	24.3	23.8	25.8	23.9
Retiring in 25 periods:				
Males	22.5	23.7	24.8	23.6
Females	25.8	26.6	28.3	26.1

31 December 2019

	UK	Germany	Norway	Netherlands
Retiring today:				
Males	21.0	20.2	22.4	21.6
Females	24.1	23.7	25.7	24.2
Retiring in 25 periods:				
Males	22.3	23.6	24.7	24.3
Females	25.6	26.5	28.2	26.7

The amount included in the balance sheet arising from the Group's Obligations in respect of its defined benefit retirement scheme is as follows:

	31 December 2020 £'000	31 December 2019 £'000
Equities	12,236	13,955
Bonds	61,281	57,416
Other	8,519	3,613
Fair value of scheme assets	**82,036**	**74,984**
Present value of defined benefit obligations	(78,212)	(73,574)
Surplus in the scheme	**3,824**	**1,410**
Surplus in the UK scheme not recognised	(11,004)	(8,228)
Additional liability recognised due to minimum funding requirements	(2,329)	(197)
Net pension liability in the balance sheet	**(9,509)**	**(7,015)**

26 Retirement benefit schemes (continued)

As the Group does not control the use of the UK pension scheme asset it has not been recognised in these financial statements.

Analysis of the amount charged to loss before tax

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Service cost	209	511
Net interest income	72	(115)

Analysis of amount recognised in statement of other comprehensive income

	Year ended 31 December 2020	Year ended 31 December 2019
Group	**£'000**	**£'000**
Return on scheme assets	8,574	6,538
Changes in assumptions underlying the present value of the scheme liabilities	(6,917)	(5,112)
Actuarial gain	1,657	1,426
Actuarial loss not recognised in respect of UK pension scheme	(4,611)	(1,978)
Net actuarial loss	**(2,954)**	**(552)**
Exchange (loss)/gain	**(360)**	**350**

Movements in the fair value of scheme assets during the period

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
At start of the period	74,984	68,998
Interest income	1,535	1,887
Actuarial gains/(losses) on scheme assets	8,574	6,538
Contributions from the sponsoring companies	1,186	1,155
Contributions from scheme members	84	272
Benefits paid	(4,432)	(3,710)
Exchange rate movements	105	(156)
At end of the period	**82,036**	**74,984**

26 Retirement benefit schemes (continued)

Movements in the present value of defined benefit obligations during the period

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
At start of the period	73,574	70,061
Service cost	209	511
Interest expense	1,395	1,826
Contributions from scheme members	84	272
Actuarial losses on scheme liabilities	6,917	5,113
Benefits paid	(4,432)	(3,710)
Exchange rate movements	465	(499)
At end of the period	**78,212**	**73,574**

Expected maturity analysis of undiscounted pension benefits

	31 December 2020 £'000	31 December 2019 £'000
Within the next 12 months (next annual reporting period)	2,932	2,878
Between 2 and 5 years	11,594	11,927
Between 5 and 10 years	15,761	15,452
Total expected payments	**30,287**	**30,257**

The average duration of the defined benefit obligation at the end of the reporting period is 17.3 years (31 December 2019: 16.9 years).

The most recent finalised triennial valuation of the Group's UK pension scheme for funding purposes has been performed as at 31 March 2020. Under the funding schedule agreed with the scheme Trustees, the Group aims to eliminate the current deficit over a period of 3 years from 31 March 2020. A triennial valuation has not been completed for the other schemes within the Group.

A quantitative sensitivity analysis for significant assumptions as at 31 December 2020 is as shown below:

Impact on gross defined benefit obligation

	Change in assumption	Increase in assumption £'000	Decrease in assumption £'000
Discount rate	0.25%	(3,293)	3,450
Inflation rate	0.25%	2,198	(2,075)

	Decrease by 1 year in assumption
Life expectancy	3,615

26 Retirement benefit schemes (continued)

The sensitivity analysis above has been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

27 Other provisions

Group

	Warranties £ 000	Dilapidations £'000	Employee benefits £ 000	Other provisions £ 000	Total £ 000
At 1 January 2020	11,845	4,308	366	121	16,640
Additional provisions	86	595	5	175	861
Provisions used	(983)	(56)	(4)	(43)	(1,086)
Unused provision reversed	25	(303)	(95)	(169)	(542)
Increase (decrease) due to foreign exchange differences	8	27	4	(2)	37
At 31 December 2020	10,981	4,571	276	82	15,910
Non-current liabilities	683	3,075	10	55	3,823
Current liabilities	10,298	1,496	266	27	12,087

	Warranties £ 000	Dilapidations £'000	Employee benefits £ 000	Other provisions £ 000	Total £ 000
At 1 January 2019	15,579	4,569	355	1,262	21,765
Increase (decrease) in adoption of IFRS 16	-	-	-	(847)	(847)
Additional provisions	2,060	95	38	200	2,393
Provisions used	(4,608)	(130)	(25)	(221)	(4,984)
Unused provision reversed	(1,159)	(154)	-	(249)	(1,562)
Increase (decrease) due to foreign exchange differences	(27)	(72)	(2)	(24)	(125)
At 31 December 2019	11,845	4,308	366	121	16,640
Non-current liabilities	982	3,439	100	95	4,616
Current liabilities	10,863	869	266	26	12,024

27 Other provisions (continued)

Due to the nature of critical safety products manufactured by Survitec, the Group could be exposed to warranty claims from customers and other affected third parties. The provision is best estimated based on known claims and on estimates based upon past experience, of possible future claims which could arise over the life of the products sold. Management have prepared a model with a range of potential outcomes using a number of different assumptions including the maximum number of product units that would potentially need to be replaced or repaired and this is regularly reviewed. As the warranty provision is a significant estimate it is particularly sensitive to movement and sensitivity analysis of the key assumptions is shown below:

Impact of 10% movement in the no. of units replaced or repaired on the total provision:

		No. of units replaced		
		-10%	**0%**	**+10%**
		£'000	**£'000**	**£'000**
No. of units repaired	**-10%**	(1,152)	(506)	139
	0%	(645)	-	-
	+ 10%	(139)	-	-

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

Employee benefits include provisions in respect of long service awards and termination benefits.

'Other' includes provisions for legal costs and an onerous lease contract which has been credited against the right of use asset on adoption of IFRS 16.

28 Financial instruments

Group	Amortised cost £'000	FVTPL £'000	Total £'000
31 December 2020			
Financial assets			
Current			
Trade receivables	50,407	-	**50,407**
Contract assets	6,417	-	**6,417**
Other receivables	8,447	633	**9,080**
Amounts due from Group undertakings	162	-	**162**
Cash and short-term deposits	83,947	-	**83,947**
Total	149,380	633	**150,013**
Non-current			
Other receivables	924	-	**924**
Total	924	-	**924**
Financial liabilities			
Current			
Current portion of lease liabilities	6,527	-	**6,527**
Trade and other payables	68,395	-	**68,395**
Contract liabilities	10,689	-	**10,689**
Derivative financial instruments	-	42	**42**
Loans and borrowings	13,921	-	**13,921**
Total	99,532	42	**99,574**
Non-current			
Long term lease liabilities	25,986	-	**25,986**
Loans and borrowings	151,316	-	**151,316**
Other borrowings	220,342	-	**220,342**
Other non-current liabilities	9	-	**9**
Total	397,653	-	**397,653**

28 Financial instruments (continued)

Group	Amortised cost £'000	FVTPL £'000	Total £'000
31 December 2019			
Financial assets			
Current			
Trade receivables	56,717	-	**56,717**
Contracts	6,491	-	**6,491**
Other receivables	2,822	696	**3,518**
Amounts due from Group undertakings	157	-	**157**
Cash and short-term deposits	51,000	-	**51,000**
Total	117,187	696	**117,883**
Non-current			
Other receivables	789	-	**789**
Total	789	-	**789**
Financial liabilities			
Current			
Current portion of lease liabilities	7,381	-	**7,381**
Trade and other payables	87,054	-	**87,054**
Contracts	11,530	-	**11,530**
Other current financial liabilities	-	1,002	**1,002**
Loans and borrowings	10,181	-	**10,181**
Total	116,146	1,002	**117,148**
Non-current			
Long term lease liabilities	18,679	-	**18,679**
Loans and borrowings	462,205	-	**462,205**
Other borrowings	499,914	-	**499,914**
Other non-current liabilities	673	-	**673**
Total	981,471	-	**981,471**

28 Financial instruments (continued)

Company	**Amortised cost £'000**	**Total £'000**
31 December 2020		
Financial assets		
Current		
Amounts due from Group undertakings	154,382	**154,382**
Cash and short-term deposits	20	**20**
Total	154,402	**154,402**
Non-current		
Financial liabilities		
Current		
Trade and other payables	82	**82**
Total	82	**82**
Non-current		
Other borrowings	216,541	**216,541**
Total	216,541	**216,541**

28 Financial instruments (continued)

Company	Amortised cost £'000	FVTPL £'000	Total £'000
31 December 2019			
Financial assets			
Current			
Amounts due from Group undertakings	151,481	-	**151,481**
Cash and short-term deposits	28	-	**28**
Total	151,509	-	**151,509**
Non-current			
Financial liabilities			
Current			
Trade and other payables	18,071	-	**18,071**
Other current financial liabilities	-	826	**826**
Total	18,071	826	**18,897**
Non-current			
Loans and borrowings	460,638	-	**460,638**
Other borrowings	500,804	-	**500,804**
Total	961,442	-	**961,442**

29 Trade and other payables

	Group		Company	
	31 December 2020 £ 000	31 December 2019 £ 000	31 December 2020 £ 000	31 December 2019 £ 000
Trade payables	26,609	26,593	-	-
Accrued expenses	32,582	34,605	82	224
Social security and other taxes	5,493	5,768	-	-
Other payables	9,204	25,856	-	17,847
Deferred income	12,629	12,940	-	-
	86,517	105,762	82	18,071

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

Included within Other payables of the Group is an amount of interest payable of £1,575,000 (31 December 2019: £17,847,000).

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

	31 December 2020 £'000	31 December 2019 £'000
Contract liabilities recognised at start of the period	11,530	15,191
Revenue recognised that was included in contract liabilities at the beginning of the period	(11,530)	(15,191)
Amounts invoiced during the year which did not meet revenue recognition criteria during the year	10,689	11,530
Balance at the end of the year	**10,689**	**11,530**

30 Contingent liabilities

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

Throughout the Group, there are guarantees and performance bonds outstanding amounting to £9,144,157 (31 December 2019: £10,119,997).

31 Related party transactions

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial period.

31 December 2020	Amounts owed from/(to) related parties	Loans (drawn down) /issued	Capital contribution	Interest receivable/ (payable)	Impairment reversal	Debt substantial modification	Loans novated
Group	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Parent undertakings	(220,342)	(4,715)	533,333	(41,686)	-	159,285	(366,647)
Subsidiary undertakings	162	5	-	-	-	-	-
Key management personnel	3,100	-	-	-	-	-	-
Company							
Immediate parent	(215,522)	-	533,333	(41,579)	-	159,285	(366,647)
Subsidiary undertakings	153,363	(103,265)	-	38,225	67,819	-	-

On 27 August 2020 the company and group completed a financial restructuring with its lenders. The key elements arising of this restructuring was as follows:

1. A new parent undertaking was incorporated and acquired the shares in the company and the debts owed by the Company from the former parent undertaking. This resulted in the Group and Company owing £533,000,000 to its new parent undertaking. This amount was formerly waived and is reflect as a capital contribution through equity;
2. The Company's and Group's lenders agreed to split its existing facility of approximately £467,000,000 into a facility of £367,000,000 and £100,000,000;
3. The £100,000,000 facility was novated to a new undertaking that was interposed between the company and its previous immediate subsidiary undertaking, resulting in the Company owing £100,000,000 to this newly interposed subsidiary undertaking;
4. The £367,000,000 was then novated to the Company's and Group's parent undertaking, resulting in the company and the group owing its new parent undertaking £367,000,000. This transaction is treated as a substantial modification and the £367,000,000 is de-recognised and then recognised at its fair value of £207,361,000. The gain of £159,285,000 arising on this transaction is reflected as an other gain in the income statement of the Group and the Company. The £367,000,000 remains as the principal amount on the contractual liability between the Group/Company and the new parent undertaking but is reflected in these financial statements at its fair value of £207,361,000

The Company partially reversed an expected credit loss brought forward from prior periods totalling £67,819,000 during the year (2019: impaired £294,917,000), resulting in a carrying value of the amounts due from subsidiary undertakings of £153,363,000 (2019: £151,481,000 as restated see note 33).

31 Related party transactions (continued)

(As restated)

31 December 2019	**Amounts owed from/(to) related parties**	**Loans drawn down/(repaid) in the period**	**Interest receivable/ (payable)**	**Third party fees paid on behalf of Group**
Group	**£'000**	**£'000**	**£'000**	**£'000**
Onex Corporation	(1,192)	-	-	(1,192)
Parent undertakings	(499,914)	-	(45,456)	-
Subsidiary undertakings	157	-	-	-
Company				
Ultimate controlling party	-	-	-	-
Immediate parent	(499,914)	-	(45,456)	-
Subsidiary undertakings	150,585 *	35,619	36,948	-

* The amount is stated after impairment of £Nil (31 December 2019: £360,362,000). The impairment charge during the year ended 31 December 2020 was £Nil (31 December 2019: £294,917,000).

Remuneration of key management personnel

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

	Year ended 31 December 2020 £'000	**Year ended 31 December 2019 £'000**
Short term employee benefits	2,775	3,261
Post employee benefits	67	61
	2,842	**3,322**

The above includes payments made to key management upon their departure of £Nil (31 December 2019: £1,011,592).

Directors' transactions

There were no advances, credits or guarantees with Directors or other key Management that are disclosable in accordance with section 413 of the 2006 Act and IAS 24 in the current or prior periods.

32 Parent and ultimate parent undertaking

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

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

33 Prior period adjustment

Cash and cash equivalents

In the prior year, the Company's cash and cash equivalents were overstated due to incorrectly including the Group cash pooling balance. This balance should have been included as Amounts due from Group Undertakings. The restated disclosure is as follows:

	As previously stated	Adjustment	As restated
Cash at bank	£16,109,000	£(16,081,000)	£28,000
Amounts due from Group undertakings	£135,400,000	£16,081,000	£151,481,000

Furthermore, the Company's cash and cash equivalents were understated at 1 January 2019 due to incorrectly including the Group cash pooling balance. This balance should have been included as an Amounts due to Group undertakings as follows:

	As previously stated	Adjustment	As restated
Cash at bank	3,935,000	7,138,000	11,073,000
Amounts due to Group undertakings	(637,000)	(7,138,000)	(7,775,000)

34 Non adjusting events after the reporting period

Intention to acquire Hansen Protection ASA

On 16 March 2021, Survitec signed an agreement to acquire 100% of the issued shares in Hansen Protection ASA, a company based in Norway. The transaction is expected to complete in May 2021. The financial effects of this transaction have not been recognised at 31 December 2020.

The provisional amount of consideration to be transferred is £100,000,000.

At the time when the financial statements were authorised for issue, the Group had not yet completed the acquisition of Hansen Protection ASA nor commenced the acquisition accounting exercise. Fair values of the assets and liabilities have not been determined because the independent valuations have not been finalised. It is also not yet possible to provide detailed information about each class of acquired receivables and any contingent liabilities of the acquired entity.

Refinancing

The Group concluded a process of refinancing in March 2021. The total amount borrowed was £270,000,000 over 6 years, with £160,000,000 used to refinance existing debt and the remainder to finance the acquisition within the Survitec Group.

A Revolving Credit Facility of £27,500,000 has been negotiated and approved by the bank's Credit Committee in March 2021.

35 Subsidiary companies audit exemption

Survitec Acquisition Company Limited has provided the following subsidiaries with a parental guarantee in accordance with section 479C of the Companies Act. As such, advantage has been taken by the audit exemption available for the following subsidiary companies conferred by section 479A of the Companies Act relating to the audit of individual financial statements:

Subsidiary undertaking name	Registration number
Survitec Group Holdco Limited	12382931
Survitec AUD Newco Limited	09491698
Survitec Services and Distribution Limited	00553893
Survitec Safety Solutions UK Limited	10338650
Survival-One Limited	SC188500
Survitec Survival Craft Ltd	SC131397
Survitec Viscom Ltd	SC136955
Survitec Global Solutions Limited	08374445
Battlefield Sim Limited	07896409

The directors acknowledge their responsibilities for:

a. Ensuring that the company keeps adequate accounting records which comply with section 386 of the Companies Act 2006; and

b.Preparing financial statements which give a true and fair view of the state of the affairs of the company at 31 December 2020 and of its profit or loss for the year then ended in accordance with the requirements of Section 394 of the Companies Act 2006, and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements so far as applicable to the company.