

Avimo Middle East Limited

Annual Report and Financial Statements
for the Year Ended 31 December 2018

Registration number: 951831



Avimo Middle East Limited

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Avimo Middle East Limited

Company Information

Directors	M W P Seabrook E McCrorie
Company Secretary	M W P Seabrook
Registered office	350 Longwater Avenue Green Park Reading RG2 6GF
Registration Number	951831
Auditors	Ernst & Young LLP 1 More London Place London SE1 2AF

Avimo Middle East Limited

Directors' Report

The Directors present their annual report and the financial statements, together with the auditor's report, for Avimo Middle East Limited for the year ended 31 December 2018.

Matters covered in the Strategic Report

As permitted by Paragraph 1A of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 certain matters which are required to be disclosed in the Directors' Report have been omitted as they are included in the Strategic Report. These matters relate to the principal activity, business review and principal risks and uncertainties.

Dividends

The Directors do not recommend the payment of a dividend (2017: £nil).

Directors of the Company

The Directors who served during the year were as follows:

M W P Seabrook

E McCrorie

Directors' liabilities

The Company has not granted any indemnity against liability to its Directors during the year or at the date of approving the Directors' report.

Donations

During the year to 31 December 2018 no political donations were made (2017: £nil).

Disclosure of information to the auditor

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing their report, of which the auditor is unaware. Having made enquiries of the auditor, the Director has taken all the steps he is obliged to take as a Director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Reappointment of auditors

In accordance with section 489 of the Companies Act 2006, the Company has not elected to re-appoint its auditor annually and Ernst & Young LLP will therefore continue in office.

Approved by the Board on 14 June 2019 and signed on its behalf by:



E McCrorie
Director

350 Longwater Avenue
Green Park
Reading
RG2 6GF

Avimo Middle East Limited

Strategic Report for the Year Ended 31 December 2018

Principal activities

The Company is an investment holding company owning the shares of its overseas associate undertaking. The associate undertaking held by the Company is set out in note 8 to the financial statements.

Business review

The financial statements for the year ended 31 December 2018 are set out on pages 9 to 19. The profit for the year after taxation was £1,978,000 (2017: £1,554,000).

Financial risk management objectives and policies

The Company has various financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

It is, and has been throughout the year under review, the Company's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Company's financial instruments are foreign currency risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Company has currency exposures in respect of its overseas investments. This exposure is unhedged, but minimal.

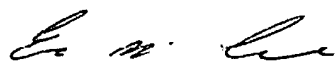
Credit risk

The Company's principal financial assets are trade and other receivables and investments. The Company trades exclusively with fellow subsidiaries and associates.

With respect to credit risk arising from the other financial assets of the Company, the exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The Company has no significant concentration of credit risk due to the financial status of its counterparties.

Approved by the Board on 14 June 2019 and signed on its behalf by:



E McCrorie
Director

350 Longwater Avenue
Green Park
Reading RG2 6GF

Avimo Middle East Limited

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under Company law the Directors must not approve the financial statements unless satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- provide additional disclosures when compliance with specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Avimo Middle East Limited

Independent Auditor's Report to the Members of Avimo Middle East Limited

Opinion

We have audited the financial statements of Avimo Middle East Limited for the year ended 31 December 2018 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the related notes 1 to 14, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Avimo Middle East Limited

Independent Auditor's Report to the Members of Avimo Middle East Limited continued

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Avimo Middle East Limited

Independent Auditor's Report to the Members of Avimo Middle East Limited continued

Responsibilities of Directors

As explained more fully in the statement of Directors responsibilities set out on page 5, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



J I Gordon (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
14 JUNE 2019

Avimo Middle East Limited

Statement of comprehensive income for the Year Ended 31 December 2018

	Note	2018 £000	2017 £000
Finance income	4	2,092	2,014
Loss on foreign exchange		<u>(13)</u>	<u>(264)</u>
Profit before tax		2,079	1,750
Income tax expense	7	<u>(101)</u>	<u>(196)</u>
Profit for the year		1,978	1,554
Total comprehensive income for the year		1,978	1,554

The accompanying notes are an integral part of this statement of comprehensive income.

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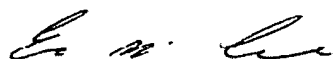
Statement of Financial Position as at 31 December 2018

	Note	2018 £000	2017 £000
Assets			
Non-current assets			
Investment in associates	8	2,836	2,836
Trade and other receivables	9	<u>9,142</u>	<u>7,164</u>
Net assets		<u>11,978</u>	<u>10,000</u>
Equity			
Share capital	12	1,858	1,858
Retained earnings		<u>10,120</u>	<u>8,142</u>
Total equity		<u>11,978</u>	<u>10,000</u>

The accompanying notes are an integral part of this statement of financial position.

The financial statements on pages 9 to 19 were approved by the Board and authorised for issue on 14 June 2019.

They were signed on its behalf by:



E McCrorie
Director

Avimo Middle East Limited

Statement of Changes in Equity for the Year Ended 31 December 2018

	Share capital £000 Note 12	Retained earnings £000	Total £000
At 31 December 2016	1,858	6,588	8,446
Profit for the year	-	1,554	1,554
Total comprehensive income	-	1,554	1,554
At 31 December 2017	1,858	8,142	10,000
Profit for the year	-	1,978	1,978
Total comprehensive income	-	1,978	1,978
At 31 December 2018	1,858	10,120	11,978

Share capital

The share capital reserve represents the consideration that has been received in exchange for ordinary share capital.

Retained earnings

The retained earnings reserve represents profits and losses retained in previous and the current period.

Avimo Middle East Limited

Statement of Cash Flows for the Year Ended 31 December 2018

	Note	2018 £000	2017 £000
OPERATING ACTIVITIES			
Profit for the year		<u>1,978</u>	<u>1,554</u>
Adjustments to cash flows from non-cash items			
Finance income	4	<u>(2,092)</u>	<u>(2,014)</u>
Operating cash flows before movement in working capital		<u>(114)</u>	<u>(460)</u>
Working capital adjustments			
Increase in trade and other receivables	9	<u>(1,978)</u>	<u>(1,554)</u>
Net cash from operating activities		<u>(2,092)</u>	<u>(2,014)</u>
INVESTING ACTIVITIES			
Dividends received	4	<u>2,092</u>	<u>2,014</u>
Net cash flows from investing activities		<u>2,092</u>	<u>2,014</u>
Net increase in cash and cash equivalents		-	-
Cash and cash equivalents at 1 January		<u>-</u>	<u>-</u>
Cash and cash equivalents at 31 December		<u>-</u>	<u>-</u>

The accompanying notes are an integral part of this statement of cash flows.

Avimo Middle East Limited

Notes to the Financial Statements for the Year Ended 31 December 2018

1 General information

The financial statements for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the Directors on 14 June 2019.

The Company is incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on page 2. The nature of the Company's operations and principal activities are set out in the Directors' report.

2 Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS's) adopted for use in the European Union. The financial statements have been prepared on a historical cost basis unless otherwise stated.

The financial statements are presented in pounds sterling, the currency in which the majority of the Company's transactions are denominated and all values are rounded to the nearest thousand, (£000), except when otherwise indicated.

Going concern

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

The principal accounting policies adopted are set out below:

Investments

Investments are measured at cost less any identified impairment losses at each reporting date.

Impairment of investments

At each reporting date the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

Recoverable amount is the higher of fair value less costs to sell 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.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. 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.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. 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.

Avimo Middle East Limited**Notes to the Financial Statements for the Year Ended 31 December 2018 continued****Financial instruments**

Financial assets and liabilities are recognised on the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Trade and other receivables

Trade and other receivables are carried at fair value (in the majority of cases this will equate to original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts at the year-end). Bad debts are written off when identified. Long term receivables are discounted where necessary.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Trade payables

Trade payables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method.

Taxation

The tax charge/(credit) comprises current and deferred tax. Income tax expense/(credit) is recognised in the income statement except to the extent that it relates to items recognised directly in equity in which case it is recognised in equity. Current tax is the expected tax payable/(receivable) on the profit/(loss) for the year and any adjustments in respect of previous years using tax rates enacted or substantively enacted at the reporting date. Deferred tax is recognised on an undiscounted basis using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes, and the amounts used for taxation purposes. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax is provided using rates of tax that have been enacted or substantively enacted at the balance sheet date or the date that the temporary differences are expected to reverse. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Revenue recognition

Finance income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payments have been established.

Dividend distributions

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

Notes to the Financial Statements for the Year Ended 31 December 2018 continued

Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires the Company to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and judgements which have a significant risk of causing a material adjustment to the carrying amount of assets recognised in the financial statements are listed below:

Impairment of investments

The impairment reviews of certain investments in the trading subsidiaries are based on future cash flows.

3 Application of new and revised International Financial reporting Standards (IFRSs)

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year. The new accounting standard IFRS 9 "Financial Instruments" became effective from 1 January 2018. The Directors do not consider that the implementation of the above new standard had a material impact on the financial statements in the period of initial application.

New standards issued but not yet effective

In the Directors' view, there are no new IFRS and IFRIC that are applicable to the Company and that have been issued but are not yet effective.

**New/revised international financial reporting standards
Effective date**

IFRS 9 Financial Instruments Annual Periods beginning on or after 1 January 2018

The Directors do not expect that the adoption of the above pronouncements will have a material impact on the financial statements in the period of initial application other than disclosure.

4 Finance income

	2018	2017
	£000	£000
Finance income		
Dividends from equity investments	2,092	2,014

5 Directors' remuneration and transactions

The Directors received no remuneration for their services in respect of the Company in the current or preceding year. The Company had no employees other than the Directors.

6 Auditor's remuneration

For the year ended 31 December 2018 and the preceding year, the auditor's remuneration for audit services of £4,000 (2017: £4,000) has been borne by a fellow subsidiary.

Avimo Middle East Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 continued

7 Income tax expense

	2018 £000	2017 £000
Current taxation		
UK Corporation tax	-	-
Egyptian withholding tax	101	196
Total current income tax	101	196
The tax charge for the year can be reconciled to the income statement as follows:		
	2018 £000	2017 £000
Profit before tax	2,079	1,750
Profit multiplied by the main rate of corporation tax in the UK of 19.00% (2017 – 19.25%)	395	337
Tax effect of:		
Income not chargeable for tax purposes	(395)	(337)
Foreign tax on dividends	101	196
Total tax charge/(credit)	101	196

The rate of corporation tax reduced from 20% to 19% on 1 April 2017. A further reduction to 17% effective 1 April 2020 was included in the Finance Act 2017 which was substantively enacted on 6 September 2016.

8 Investment in associates

Details of the investments as at 31 December 2018 are as follows:

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held	
			2018	2017
Arab International Optronics Company(SAE)	Assembly, manufacture and marketing of optronics equipment	Egypt. PO Box 8182 NASR City 11371 A.R. EGYPT	49%	49%

Note: The Company has a holding of £2,836,000 in Arab International Optronics Company (SAE).

	Shares in associate undertaking £000
Cost	
At 1 January 2018 and 31 December 2018	2,836
Amounts written off	
At 1 January 2018 and 31 December 2018	-
Net book value	
At 1 January 2018 and 31 December 2018	2,836

Avimo Middle East Limited**Notes to the Financial Statements for the Year Ended 31 December 2018 continued****9 Trade and other receivables**

	2018	2017
	£000	£000
Amounts receivable from Group Companies	<u>9,142</u>	<u>7,164</u>

The carrying amount above represents the Company's maximum exposure to credit risk.

The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

At 31 December 2018 and 31 December 2017, the aged trade receivables analysis is as follows:

	Total	Neither past due nor impaired	Overdue amount less than 3 months	Overdue amount more than 3 months	Overdue amount more than 6 months
	£000	£000	£000	£000	£000
2018	<u>9,142</u>	<u>9,142</u>	<u>-</u>	<u>-</u>	<u>-</u>
2017	<u>7,164</u>	<u>7,164</u>	<u>-</u>	<u>-</u>	<u>-</u>

10 Cash and cash equivalents

The Company does not operate a bank account, but transacts business via fellow subsidiaries.

Avimo Middle East Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 continued

11 Financial instruments

Fair value

The Company's financial risks policy is set out in the Strategic Report on page 4.

Set out below is a comparison of the carrying amounts and fair value of all of the Company's financial instruments.

	2018 Carrying amount £000	2018 Fair value £000	2017 Carrying amount £000	2017 Fair value £000
Financial assets:				
Trade and other receivables	9,142	9,142	7,164	7,164

The carrying amount of the assets above represents the Company's maximum exposure to credit risk.

Maturity of financial assets

The contractual maturity of the Company's non-derivative financial assets is as follows:

	Within one year £000	Total £000
At 31 December 2018		
Trade receivables	9,142	9,142
At 31 December 2017		
Trade receivables	7,164	7,164

The Company's funding strategy is to ensure a mix of funding sources offering flexibility and cost effectiveness to match its requirements.

Sensitivity analysis

As the Company has no cash and bank balances or overdrafts and loans and because its only financial instruments are balances with fellow group companies that are denominated in sterling, there would be no significant impact on the statement of comprehensive income or net assets as a result of market movements in foreign exchange and interest rates.

Avimo Middle East Limited

Notes to the Financial Statements for the Year Ended 31 December 2018 continued

12 Share capital

Allotted, called up and fully paid shares

	No. 000	2018 £000	No. 000	2017 £000
5,778,380 ordinary shares of SGD\$1 each	5,778	1,858	5,778	1,858
100 ordinary shares of £1 each				
	5,778	1,858	5,778	1,858

Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2018 and 31 December 2017.

13 Related party transactions

During the year, the Company entered into the following transactions with related parties:

	Amounts owed by related parties		Trading transactions	
	2018 £000	2017 £000	2018 £000	2017 £000
Group undertakings	9,142	7,164	-	-
Dividends received	-	-	2,092	2,014

The amounts outstanding are unsecured and no guarantees have been given or received. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

14 Parent and ultimate parent undertaking

The immediate parent company is Avimo Group Limited, a company incorporated in Singapore. The ultimate parent company is Thales SA, a company incorporated in France. This is also both the largest and smallest group that includes the Company and for which consolidated financial statements are prepared. Copies of the group financial statements of Thales SA are available from Tour Carpe Diem, 31 place des Corolles, 92098 Paris La Défense, France.