FLIR Systems Limited

Annual report and financial statements

Registered number 1320288

31 December 2017

Contents

Strategic Report

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

Principal activities

The principal activity of the company during the year continued to be the sale of infrared systems and thermographic equipment.

Business review

2017 revenue increased by £5m on 2016 levels, driven by stronger sales to our major OEM customers and a healthy opening order backlog. Service revenues were supressed following impacts from the tightening of US Export controls and Foreign exchange headwinds. Gross margins reduced by £2.3m due to the one off effects received in the prior year and product mix. Administative expenses were significantly effected by a large bad debt write off during the year.

Review of the Principal Risks and Uncertainties facing the Business

A comprehensive schedule of the risks facing the business is identified within the 10-K filing of the US Parent FLIR Systems Inc. (NASDAQ: FLIR). Of those identified the following have the potential to have a disproportionate effect on the UK business:

- Foreign exchange fluctuations – a significant proportion of the company's costs and revenues are denominated in foreign currencies (mainly Euros and USD), as such the company is at risk to fluctuations in these currencies against GBP. Where possible the company endeavours to minimise this risk by matching in and out flows of these currencies. During 2017 the company had a loss on foreign currency of £469k (2016: gain of £3,895k).
- The ability to secure export licences – a large percentage of the revenue generated in the UK business is from products that are subject to the export license controls of various countries' governments. A significant change in the landscape for granting Export Licenses for these products would have a corresponding impact on the UK business.

By order of the board

Craig J Cooper
Director

2 Kings Hill Avenue
Kings Hill
West Malling
Kent
ME19 4AQ

21 September 2018

Directors' Report

Dividends

There was a £28.1m final dividend paid in respect of the year ended 31 December 2017 (2016: £nil).

Directors' interests

The directors who held office during the year were as follows:

CJ Cooper
TA Surran (resigned 28 May 2018)
HF Christiansen (appointed 28 May 2018)

Political contributions

The Company made no political donations or incurred any political expenditure during the year.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

Craig J Cooper
Director

2 Kings Hill Avenue
Kings Hill
West Malling
Kent
ME19 4AQ

21 September 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FLIR SYSTEMS LIMITED

Opinion

We have audited the financial statements of Flir Systems Limited ("the company") for the year ended 31 December 2017 which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 3, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

W. Smith.

William Smith (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

27th September 2018

Profit and loss account

for the year ended 31 December 2017

	Note	2017 £000	2016 £000
Turnover	2	**33,103**	28,255
Cost of sales		**(25,305)**	(18,183)
Gross profit		**7,798**	10,072
Administrative expenses		**(3,900)**	(2,751)
Operating profit		**3,898**	7,321
Other income		**189**	136
Other interest receivable and similar income	6	**861**	2,837
Profit before taxation	3	**4,948**	10,294
Tax on profit on ordinary activities	7	**(903)**	(2,060)
Profit for the financial year			
- Profit from continuing operations		**4,045**	8,234
Total profit for the financial year	15	**4,045**	8,234

All activities arise from continuing operations.

A note on historical cost gains and losses has not been included as part of the financial statements as the results as disclosed in the profit and loss account are prepared on an unmodified historical cost basis.

There were no recognised gains or losses during the year other than those reflected in the above profit and loss account.

The notes on pages 9 to 20 form part of these financial statements.

Balance sheet
at 31 December 2017

	Note	2017 £'000	2017 £'000	2016 £'000	2016 £'000
Fixed assets					
Tangible assets	8		**624**		860
			624		860
Current assets					
Stocks	9	**742**		694	
Debtors including £21,318,465 (2016: £20,497,229) due after more than one year	10	**40,707**		36,221	
Cash at bank and in hand		**17,425**		13,157	
		58,874		50,072	
Creditors: amounts falling due within one year	11	**(19,144)**		(15,195)	
Net current assets			**39,730**		34,877
Total assets less current liabilities			**40,354**		35,737
Creditors: amounts falling due after more than one year	12		**(991)**		(804)
Provisions for liabilities	13		**(1,029)**		(933)
Net assets			**38,334**		34,000
Capital and reserves					
Called up share capital	14		**465**		465
Capital reserve	15		**250**		250
Profit and loss account	15		**37,619**		33,285
Shareholders' funds			**38,334**		34,000

All activities arise from continuing operations.

These financial statements were approved by the board of directors on 21 September 2018 and were signed on its behalf by:

Craig J Cooper
Director

The notes on pages 9 to 20 form part of these financial statements.

Statement of Changes in Equity

	Called up Share capital £000	Capital Contributions £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2016	465	250	24,783	25,498
Share based payment transactions	-	-	268	268
Profit for the period	-	-	8,234	8,234
Total contributions by and distributions to owners	-	-	8,502	8,502
Balance at 31 December 2016	**465**	**250**	**33,285**	**34,000**

	Called up Share capital £000	Capital Contributions £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2017	465	250	33,285	34,000
Share based payment transactions	-	-	289	289
Profit for the period	-	-	4,045	4,045
Total contributions by and distributions to owners	-	-	4,334	4,334
Balance at 31 December 2017	**465**	**250**	**37,619**	**38,334**

Notes

(forming part of the financial statements)

1 Accounting policies

FLIR Systems Ltd (the "Company") is a company limited by shares and incorporated and domiciled in England in the UK.

The company is a wholly owned subsidiary, and is included in the consolidated financial statements of FLIR Systems Inc. which are publicly available, see note 20.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (*"FRS 102"*) as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company's ultimate parent undertaking, FLIR Systems Inc., includes the Company in its consolidated financial statements. The consolidated financial statements of FLIR Systems Inc. are available to the public and may be obtained from FLIR Systems Inc., 27700A SW Parkway Avenue, Wilsonville, OR 97070, United States of America. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of FLIR Systems Inc. include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- Certain disclosures required by FRS 102.26 *Share Based Payments;* and,
- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements

Measurement convention

The financial statements are prepared on the historical cost basis.

Going concern

At the year end the company's balance sheet showed net assets of £38,333,000 (2016: £34,000,000). On this basis, the directors consider it appropriate to prepare the financial statements on a going concern basis.

Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Notes *(continued)*

Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Post-retirement benefits

The company operates a defined contribution pension scheme.

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees

The assets of the defined contribution scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

The company provides no other post-retirement benefits to its employees.

Share based payments

The share option programmes allow employees to acquire shares of the Parent Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

Notes *(continued)*

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Turnover

Turnover represents the total net sales to customers excluding value added tax. Sales are recognised upon delivery of the goods, unless the terms of the sale specify acceptance or other procedures in which case the sale is recognised once those procedures have been completed.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

The company assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

Short leasehold land and buildings	-	Over the term of the lease
Fixtures, fittings, tools and equipment	-	15% - 33% per annum
Motor Vehicles	-	20% per annum

Notes *(continued)*

Tangible fixed assets (continued)

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

Notes *(continued)*

2 Analysis of turnover

By geographical market	**2017 £000**	2016 £000
Europe	**32,936**	28,082
United States of America	**55**	78
Rest of world	**112**	95
	33,103	28,255

All turnover arose from the principal activity of the company.

3 Profit before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting):	**2017 £000**	2016 £000
Depreciation	**265**	336
Operating lease rentals:		
- plant and machinery	**115**	122
- other	**275**	223
Exchange losses/(gain)	**469**	(3,895)

Auditor's remuneration:	**2017 £000**	2016 £000
- Audit of these financial statements	**34**	30

4 Remuneration of directors

	2017 £000	2016 £000
Directors' emoluments	**162**	166
Company contributions to pension scheme	**10**	8
	172	174

Retirement benefits are accruing for 1 *(2016: 1)* Director under money purchase pension schemes.

Notes *(continued)*

5 Staff numbers and costs

The average monthly number of persons employed by the company (including directors) during the year was:

	Number of employees 2017	2016
Administrative and selling	**53**	49

The aggregate payroll costs of these persons were as follows:

	2017 £000	2016 £000
Wages and salaries	**3,254**	2,880
Social security costs	**437**	365
Share based payments (See note 19)	**289**	268
Other pension costs	**221**	192
	4,201	3,705

6 Other interest receivable and similar income

	2017 £000	2016 £000
On bank balances and liquid resources	**742**	684
Unrealised foreign exchange gain	**119**	2,153
	861	2,837

Notes *(continued)*

7 Taxation

Analysis of charge in period

	2017 £000	2016 £000
Current tax		
Current tax on income for the period	**965**	2,086
Adjustments in respect of prior periods	**(80)**	7
Total current tax	**885**	2,093
Deferred tax (see below)	**18**	(33)
Total tax	**903**	2,060

Factors affecting the tax charge for the current period

The current tax charge for the period is lower *(2016: lower)* than the standard rate of corporation tax in the UK 19.25% (*2016:* 20%). The differences are explained below.

	2017 £000	2016 £000
Reconciliation of effective tax rate		
Profit on ordinary activities before tax	**4,948**	10,294
Tax using the UK corporation tax of 19.25% (2016: 20%)	**952**	2,059
Effects of:		
Expenses not deductible for tax purposes	**97**	58
Corporation tax relief for employee share acquisition	**(66)**	(56)
Adjustments to tax charge in respect of previous periods	**(80)**	7
Reduction in tax rate on deferred tax balances	**-**	(8)
Total current tax charge (see above)	**903**	2,060

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 31 December 2017 has been calculated based on these rates.

Deferred tax asset

A deferred tax asset of £52,000 (*2016:*£70,000) has been recognised.

The elements of deferred tax are as follows:

	2017 £000	Credit for year £000	2016 £000
Differences between accumulated depreciation and capital allowances	**17**	14	31
Deferred tax on share based payments	**35**	4	39
Total deferred tax asset	**52**	18	70

Notes *(continued)*

8 Tangible fixed assets

	Short leasehold land and buildings £000	Fixtures, fittings, tools and equipment £000	Motor Vehicles £000	Total £000
Cost				
At 1 January 2017	318	4,015	23	4,356
Additions	-	29	-	29
Disposals	-	-	-	-
At 31 December 2017	**318**	**4,044**	**23**	**4,385**
Depreciation				
At 1 January 2017	310	3,185	1	3,496
Charged in year	8	252	5	265
Disposals	-	-	-	-
At 31 December 2017	**318**	**3,437**	**6**	**3,761**
Net book value				
At 31 December 2017	**-**	**607**	**17**	**624**
At 1 January 2017	8	830	22	860

Notes *(continued)*

9 Stocks

	2017 £000	2016 £000
Finished goods for resale	**742**	694

10 Debtors

	2017 £000	2016 £000
Trade debtors	**18,599**	14,162
Amounts owed by group undertakings	**21,661**	20,860
Deferred tax asset (see note 7)	**52**	70
Prepayments and accrued income	**266**	437
Other debtors	**129**	692
	40,707	36,221

Debtors include amounts owed by group undertakings of £21,318,465 (2016: £20,497,229) due after more than one year on which interest is charged at Euro LIBOR plus 3%.

11 Creditors: amounts falling due within one year

	2017 £000	2016 £000
Payments received on account	**2,264**	1,002
Trade creditors	**533**	604
Amounts owed to group undertakings	**10,913**	7,544
Corporation tax	**496**	1,296
Other taxation and social security costs	**280**	580
Accruals	**2,743**	2,282
Deferred income	**1,915**	1,887
	19,144	15,195

Amounts owed to group undertakings are interest free, unsecured and repayable on demand.

Notes *(continued)*

12 Creditors: amounts falling due after more than one year

	2017	2016
	£000	£000
Deferred income	**991**	804

13 Provisions for liabilities

	Dilapidations provisions	Contract provisions	Warranty provisions	Total
	£000	**£000**	**£000**	**£000**
Cost				
At beginning of year	163	426	344	933
Charge/ (release) to the profit and loss account for the year	5	-	(385)	(380)
Additional amounts provided	-	159	317	476
At end of year	**168**	**585**	**276**	**1,029**

The dilapidations provision relates to the anticipated costs arising on the vacation of the company's current business premises.

Contract provisions relate to costs the company is likely to incur in order to fulfil its obligations on certain identifiable contracts.

The warranty provision relates to amounts the company anticipates it will have to incur to fulfil its constructive and legal obligations under warranty agreements.

14 Called up share capital

	2017	2016
	£000	£000
Allotted, called up and fully paid		
465,000 ordinary shares of £1 each	**465**	465

Notes *(continued)*

15 Reserves

	Capital Contributions £000	Profit and loss account £000
At 1 January 2017	250	33,285
Profit for the year	-	4,045
Credit in relation to share based payments	-	289
At 31 December 2017	**250**	**37,619**

16 Contingent liabilities

The company has a contingent liability regarding duty deferment guarantees at 31 December 2017 to the extent of £250,000 *(2016: £250,000)*.

17 Commitments under operating leases

Annual commitments under non-cancellable operating leases are as follows:

	2017		2016	
	Land and buildings £000	**Other £000**	Land and buildings £000	Other £000
Operating leases which expire:				
- within one year	**127**	**98**	63	79
- within two to five years	**-**	**114**	-	145
- after more than five years	**-**	**-**	-	-
	127	**212**	63	224

The amount of non-cancellable operating lease payments recognised as an expense during the period was £275,000 (2016: £223,000).

Notes *(continued)*

18 Pension obligations

The company operates a defined contribution pension scheme for its employees. The assets of the scheme are held in a separate trustee administered fund. The company contributes 4% of pensionable pay to the scheme and matches employee contributions up to a further 4%. These contributions are charged to the profit and loss account as incurred. The company contributed £221,200 (*2016:* £191,652) to the scheme during the year of which £882 (*2016:* £14,961) was accrued but not yet paid at year end.

19 Employee share schemes

The Company has a stock-based compensation program that provides equity based incentives for employees in its ultimate parent's stock. This program includes incentive and non-statutory stock options and non-vested stock awards (referred to as restricted stock awards) granted under two plans, the FLIR Systems, Inc. 1992 Stock Incentive Plan (the "1992 Plan") and the FLIR Systems, Inc. 2004 Stock Incentive Plan (the "2004 Plan"). Prior to 1st January 2007, all stock options were time-based with vesting schedules ranging from immediate vesting to vesting over three years and generally expiring ten years from the grant date. The Company has discontinued issuing option awards out of the 1992 Plan and the 2004 plan, but previously granted options under those plans remain outstanding until their expiration.

The Company has also granted performance-based options and restricted stock awards. The vesting of performance-based options is contingent upon meeting certain diluted earnings per share growth targets in three independent tranches over a three year period and the options expire ten years from the grant date. The vesting of each tranche is not dependent on the other tranches. Restricted stock awards are time-based and generally vest over a three year period.

Information with respect to restricted stock awards is as follows:

	Number of stock awards
Outstanding at the beginning of the period	24,150
Granted during the period	11,264
Forfeited in the period	(1,098)
Exercised during the period	(11,378)
Outstanding at the end of the period	**22,938**

Additionally, the Company has an Employee Stock Purchase Plan (the "ESPP") which allows employees to purchase shares of the Company's ultimate parent's common stock at the lower of 85% of the fair market price on either the date of enrolment or the purchase date.

20 Ultimate parent undertaking and parent undertaking of larger group of which the company is a member

The company is a subsidiary undertaking of FLIR Systems Inc., a company incorporated in the United States of America which is also the ultimate controlling party.

The largest group in which the results of the company are consolidated is that headed by FLIR Systems Inc., incorporated in the United States of America. The consolidated accounts of this company are available to the public and may be obtained from FLIR Systems Inc., 27700A SW Parkway Avenue, Wilsonville, OR 97070, United States of America. No other group accounts include the results of the company.