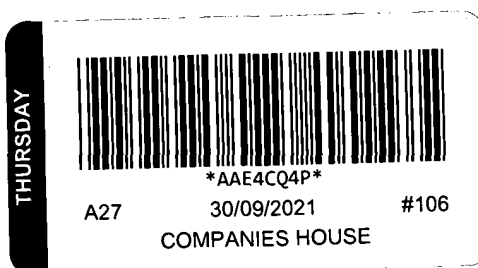


FLIR Systems Limited

Annual report and financial statements

Registered number 1320288

31 December 2020



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Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 December 2020.

Dividends

There was a no final dividend paid in respect of the year ended 31 December 2020 (2019: £14.5m).

Directors' interests

The directors who held office during the year and to the date of signing were as follows:

Craig Cooper (Resigned as Company Secretary 14 May 2021)

Sonia Galindo (Appointed 20 July 2020. Resigned 14 May 2021)

Heather Christiansen (Resigned 24 February 2020)

Nicholas Wargent (Appointed 14 May 2021). Also Company Secretary (Appointed 14 May 2021)

Melanie Cibik (Appointed 14 May 2021)

Political contributions

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

Covid 19

On 11 March 2020, the World Health Organisation declared the Covid-19 outbreak to be a pandemic. Many governments are taking stringent steps to help contain the spread of the virus, including requiring self-isolation or quarantine by those potentially affected, implementing social distancing measures, and controlling or closing borders and "locking-down" cities regions or even entire countries. There has also been a significant increase in economic uncertainty, evidenced by more volatile asset prices and currency exchange rates, and a significant decline in long-term interest rates in developed economies.

At present, the impact of Covid-19 is not expected to have any material effect that may cast significant doubt on the entity's ability to continue as a going concern. Due to the nature of the Company's principal activity as detailed in the Strategic Report, operations have continued with minimal disruption. The directors have assessed the impact of Covid-19 on the entity's continuing operations to not be material, and due to the nature of its customers and applications, Covid-19 is not considered a principal risk.

Going concern

The financial statements of the Company have been prepared on a going concern basis which the directors consider to be appropriate as at the date of their approval for the reasons outlined below.

At the year end the company's balance sheet showed net assets of £8,681k (2019: £4,185k).

The directors have prepared cash flow forecasts for a period of 15 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds to meet its liabilities as they fall due for that period. The nature of the Company's operations, has seen limited impact from Covid-19 on order levels or margins. The directors will ensure that should a dividend be proposed within the next 12 months there will be sufficient funds to meet this requirement. Although there may be an impact from the recent acquisition by Teledyne Technologies Inc on transfer pricing in the future this is not expected to impact cashflows within the next 12 months.

Given the strength of the order book, both future and backlog, and the current positive operating cash flow in the period since year end, the Directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 15 months from the date of approval of the financial statements.

Consequently, the directors have prepared the financial statements on a going concern basis.

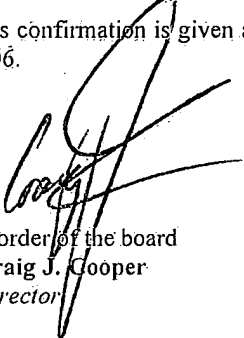
Directors' Report (Continued)

Disclosure of information to auditor

Each of the persons who is a director at the date of approval of this annual report confirms that:

- so far as the directors are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.



By order of the board
Craig J. Cooper
Director

29 September 2021

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

Strategic Report

Principal activities

The principal activity of the Company during the year continued to be the sale, service and maintenance of infrared systems and thermographic equipment in the EMEA geographies. The Company also supplies sales and marketing support to other Group Companies, within a contractual agreement which is based on costs incurred to be recharged plus a mark-up.

FLIR's equipment serves customers through a number of applications in government & defence, industrial, and commercial marketplaces. Its customer base is predominantly made up of large OEMs or European Government agencies. The company continues to see strong interest and orders for its products and services at a consistent margin and has a strong order backlog for its products. Despite the current economic challenges and pressure on Government spending the Company has continued to generate cash in line with expectations through 2021. The current economic situation has also not had a material detrimental impact on expenses either.

Business review

2020 revenue from principal activities decreased by £7.7m on 2019 levels, as demand for our Airborne products was constricted by COVID19 impacts. Gross margins reduced by £1.3m due to the lower revenue levels, which was partially offset with an increase in the revenue from sales and marketing recharges of £0.9m. Administrative expenses decreased by £1.3m compared with the prior year due to the circa £1m legal settlement in 2019 and recovery of a previously written-off debt in 2020.

On 12th February 2020 an asset purchase agreement was signed between DVTEL UK Limited and FLIR Systems Limited wherein FLIR Systems Limited agreed to purchase all assets and liabilities of DVTEL UK Limited for £0.5m. This transaction led to a gain on acquisition of £278k as the fair value of the assets acquired was £778k (see Note 9).

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 2020 the company had a gain on foreign currency of £1,524k (2019: loss of £1,056k).
- 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.
- In addition to those risks identified above, the longer term impact of the UK's departure from the EU may have a detrimental effect on the UK business the full impact of which can not be known at this time.

Section 172 report

The board of directors of Flir Systems Limited consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its stakeholders as a whole in the decisions taken during the year ended 31 December 2020. Flir Systems Limited is a subsidiary of Teledyne Industries Incorporated and recognizes that its success is also irrevocably tied to that of the Group as a whole.

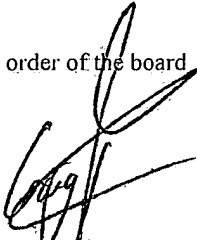
As a Group we are committed to saving lives and livelihoods and recognize that what we do and the decisions we make impact our suppliers, our customers, our business partners and also our employees.

Strategic Report (continued)

As a board we have regard when making or decisions, amongst other matters, to the

- likely consequences of any decision in the long term;
- interests of the company's employees;
- need to foster the company's business relationship with suppliers, customers and others;
- impact of the company's operations on the community and environment;
- desirability of the company maintaining a reputation for high standards of business conduct; and
- need to act fairly between members of the company.

By order of the board



Craig J. Cooper
Director
29 September 2021

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

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 101 *Reduced Disclosure Framework*.

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 2020 which comprise the Statement of 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 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; 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

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors as to the Company's high-level policies and procedures to prevent and detect fraud, and the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Considering remuneration incentive schemes and performance targets for management
- Using analytical procedures to identify any unusual or unexpected relationships.
- We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that revenue is recorded in the wrong period.

We did not identify any additional fraud risks.

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those unusual journal entries impacting cash accounts, or unusual journal entries impacting revenue accounts.
- Testing sales around the year end and post year end to ensure revenue was recognised in the correct period. This involved agreeing the sales value to purchase order, relevant shipping document, and ensuring the revenue deferral basis was appropriate.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with management (as required by auditing standards) and discussed with management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies' legislation), distributable profits legislation and taxation legislation and pension legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, GDPR compliance, employment law, Export Control, and certain aspects of company legislation recognising the nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement 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; 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.



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

29 September 2021

Statement of Profit and Loss Account
Year ended 31 December 2020

| | Note | 2020 £000 | Restated* 2019 £000 |
|--|------|---------------|---------------------------|
| Turnover | 2 | 29,790 | 37,511 |
| Cost of sales | | (18,881) | (25,305) |
| Gross profit | | 10,909 | 12,206 |
| Administrative expenses | 3 | (5,919) | (7,194) |
| Operating profit | | 4,990 | 5,012 |
| Other income | | - | - |
| Net interest and similar expenses | 6 | 91 | (251) |
| Gain on acquisition | 9 | 278 | - |
| Profit before taxation | 3 | 5,359 | 4,761 |
| Tax on profit | 7 | (917) | (701) |
| Profit for the financial year | | 4,442 | 4,060 |
| - Profit from continuing operations | | | |
| Total profit for the financial year | 16 | 4,442 | 4,060 |

*See note 2

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 12 to 21 form part of these financial statements.

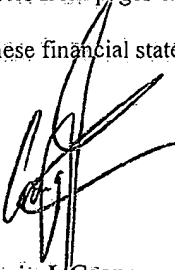
Balance sheet
at 31 December 2020

| | <i>Note</i> | 2020 £'000 | 2020 £'000 | 2019 £'000 | 2019 £'000 |
|--|-------------|---------------|---------------|---------------|---------------|
| Fixed assets | | | | | |
| Tangible assets | 8 | | 2,511 | | 2,670 |
| Investments | 9 | | 0 | | 0 |
| | | | <u>2,511</u> | | <u>2,670</u> |
| Current assets | | | | | |
| Stocks | 10 | 1,223 | | 1,132 | |
| Debtors including £0k (2019: £8,067k) due after more than one year | 11 | 14,485 | | 27,333 | |
| Cash at bank and in hand | | 5,351 | | 5,857 | |
| | | <u>21,059</u> | | <u>34,322</u> | |
| Creditors: amounts falling due within one year | 12 | (11,153) | | (28,585) | |
| Net current assets | | | <u>9,906</u> | | <u>5,737</u> |
| Total assets less current liabilities | | | <u>12,417</u> | | <u>8,407</u> |
| Creditors: amounts falling due after more than one year | 13 | | (2,762) | | (3,076) |
| Provisions for liabilities | 14 | | (749) | | (1,146) |
| Net assets | | | <u>8,906</u> | | <u>4,185</u> |
| Capital and reserves | | | | | |
| Called up share capital | 15 | | 465 | | 465 |
| Capital reserve | 16 | | 250 | | 250 |
| Profit and loss account | 16 | | 8,191 | | 3,470 |
| Shareholders' funds | | | <u>8,906</u> | | <u>4,185</u> |

All activities arise from continuing operations.

Notes from pages 12 to 21 for part of these financial statements.

These financial statements were approved by the board of directors on 23 September 2021 and were signed on its behalf by:


Craig J. Cooper
Director

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 2019 | 465 | 250 | 13,574 | 14,289 |
| Impact of IFRS 16 | | | 4 | 4 |
| Share based payment transactions | - | - | 332 | 332 |
| Profit for the period | - | - | 4,060 | 4,060 |
| Dividend | | | (14,500) | (14,500) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total contributions by and distributions to owners | - | - | (10,104) | (10,104) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Balance at 31 December 2019 | 465 | 250 | 3,470 | 4,185 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

| | Called up Share capital £000 | Capital Contributions £000 | Profit and loss account £000 | Total equity £000 |
|--|---------------------------------------|----------------------------------|------------------------------------|----------------------|
| Balance at 1 January 2020 | 465 | 250 | 3,470 | 4,185 |
| Share based payment transactions | - | - | 279 | 279 |
| Profit for the period | - | - | 4,442 | 4,42 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total contributions by and distributions to owners | - | - | 4,721 | 4,721 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Balance at 31 December 2020 | 465 | 250 | 8,191 | 8,906 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

Notes from pages 12 to 21 form part of these financial statements

Notes to 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 financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments. The Company has prepared company accounts and not consolidated accounts as it has taken advantage of the equivalence exception under s401 of the Companies Act 2006 since the Directors consider the consolidated financial statements of its ultimate parent company FLIR Systems Inc (a company incorporated in the USA) to be prepared under an equivalent GAAP.

The principal accounting policies adopted are set out below.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Certain disclosures regarding revenue
- Comparative period reconciliations for share capital, tangible fixed assets, intangible assets;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of FLIR Systems Inc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 *Share Based Payments* in respect of group settled share based payments;
- Certain disclosures required by IAS 36 *Impairment of assets* in respect of the impairment of goodwill and indefinite life intangible assets; and
- The disclosures required by IFRS 7 *Financial Instrument Disclosures*

IFRS 1 grants certain exemptions from the full requirements of Adopted IFRSs in the transition period.

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 19.

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

Going concern

The financial statements of the Company have been prepared on a going concern basis which the directors consider to be appropriate as at the date of their approval for the reasons outlined below.

At the year end the company's balance sheet showed net assets of £8,681k (2019: £4,185k).

The directors have prepared cash flow forecasts for a period of 15 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds to meet its liabilities as they fall due for that period. The nature of the Company's operations has seen limited impact from Covid-19 on order levels or margins. The directors will ensure that should a dividend be proposed within the next 12 months there will be sufficient funds to meet this requirement. Although there may be an impact from the recent acquisition by Teledyne Technologies Inc on transfer pricing in the future this is not expected to impact cashflows within the next 12 months.

Given the strength of the order book, both future and backlog, and the current positive operating cash flow in the period since year end, the Directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 15 months from the date of approval of the financial statements.

Consequently, the directors have prepared the financial statements on a going concern basis.

Notes to the financial statements (continued)

1 Accounting policies (continued)

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.

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.

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.

Notes to the financial statements (continued)

1 Accounting policies (continued)

Taxation

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 it is 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. Turnover earned from the sale of deferred warranty products and maintenance contracts is recognised over the period to which it relates.

Leasing

The Company has applied IFRS 16 using the modified retrospective with cumulative effect method – i.e. by recognising the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of equity at 1 January 2019. Therefore, the comparative information has not been restated and continues to be reported under IAS 17. The disclosure requirements in IFRS 16 have not been applied to comparative information. The details of the changes and quantitative impact are set out below.

Definition of a lease

Previously the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4: Determining whether an Arrangement contains a Lease. The Company now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in note 1. On transition to IFRS 16, the Company elected to apply the practical expedient to apply IFRS 16 only to contracts that were previously identified as leases. Contracts that were not previously identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

(b) As a lessee

The Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Only finance leases were then recognised on the balance sheet.

Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

Notes to the financial statements (continued)

1 Accounting policies (continued)

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 |

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.

2 Analysis of Turnover

| | 2020 £000 | Restated 2019 £000 |
|-------------------------------|--------------------|--------------------------|
| <i>By geographical market</i> | | |
| Principal activities | | |
| Europe | 25,363 | 34,706 |
| United States of America | 88 | 183 |
| Rest of world | 977 | 147 |
| | <hr/> 26,428 | <hr/> 35,036 |
| Other operating income | | |
| Europe | 739 | 982 |
| United States of America | 2,623 | 1,493 |
| | <hr/> 3,362 | <hr/> 2,475 |
| Total Turnover | <hr/> <hr/> 29,790 | <hr/> <hr/> 37,511 |

Other operating income in 2019 was included in administrative expenses and not identified separately as turnover. This income relates to the income from sales and marketing services performed for other parts of the FLIR Group of companies for which the company receives a fixed mark up on costs incurred in the period. In previous years this has been included as a deduction against the related cost. The 2019 turnover has been restated for this reclassification in revenue. The reclassification had no effect on profit for the financial year or net assets for any period.

3 Profit before taxation

| | 2020 £000 | 2019 £000 |
|--|--------------|--------------|
| <i>Profit on ordinary activities before taxation is stated after charging/(crediting):</i> | | |
| Depreciation | 479 | 505 |
| Staff costs (see Note 5) | 4,713 | 4,514 |
| Exchange (gain)/losses | (1,524) | 1,056 |
| Gain on purchase of assets | 278 | - |
| | <hr/> 29 | <hr/> 29 |
| Auditor's remuneration: | | |
| - Audit of these financial statements | <hr/> 29 | <hr/> 29 |

Notes to the financial statements (continued)

4 Remuneration of directors

| | 2020 £000 | 2019 £000 |
|---|--------------|--------------|
| Directors' emoluments | 172 | 183 |
| Company contributions to pension scheme | 11 | 12 |
| | <u>183</u> | <u>195</u> |

Retirement benefits are accruing for 1 (2019: 1) Director under money purchase pension schemes.

5 Staff numbers and costs

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

| | Number of employees | |
|----------------------------|------------------------|------|
| | 2020 | 2019 |
| Administrative and selling | 52 | 51 |

The aggregate payroll costs of these persons were as follows:

| | 2020 £000 | 2019 £000 |
|------------------------------------|--------------|--------------|
| Wages and salaries | 3,690 | 3,490 |
| Social security costs | 494 | 453 |
| Share based payments (see Note 16) | 279 | 332 |
| Other pension costs (see Note 18) | 250 | 239 |
| | <u>4,713</u> | <u>4,514</u> |

6 Net interest payable and similar expenses

| | 2020 £000 | 2019 £000 |
|---|--------------|--------------|
| Interest income on bank balances and liquid resources | 91 | 355 |
| Unrealised foreign exchange gain | - | (606) |
| | <u>91</u> | <u>(251)</u> |

Notes to the financial statements (continued)

7 Taxation

| Analysis of charge in period | 2020 £000 | 2019 £000 |
|---|--------------|--------------|
| <i>Current tax</i> | | |
| Current tax on income for the period | 1,041 | 919 |
| Adjustments in respect of prior periods | (111) | (242) |
| Total current tax | 930 | 677 |
| Deferred tax (see below) | (13) | 24 |
| Total tax | 917 | 701 |

Factors affecting the tax charge for the current period

The effective tax rate is 17.1% (2019: 14.6%) for the year.

The charge for the year can be reconciled to the profit per the income statement as follows:

| | 2020 £000 | % | 2019 £000 | % |
|--|--------------|-------|--------------|-------|
| <i>Reconciliation of effective tax rate</i> | | | | |
| Profit on ordinary activities before tax | 5,359 | | 4,761 | |
| Tax using the UK corporation tax of 19% (2019: 19%) | 1,018 | | 905 | |
| <i>Effects of:</i> | | | | |
| Expenses not deductible for tax purposes | 55 | | 98 | |
| Share based payments | (45) | | (60) | |
| Adjustments to tax charge in respect of previous periods | (111) | | (242) | |
| Reduction in tax rate on deferred tax balances | - | | - | |
| Total tax charge (see above) | 917 | 17.1% | 701 | 14.6% |

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate would increase from 19% to 25% for companies with profits over £250k.

Deferred tax asset

A deferred tax asset of £62k (2019: £49k) has been recognised.

The elements of deferred tax are as follows:

| | 2020 £000 | Charge for year £000 | 2019 £000 |
|---|--------------|----------------------------|--------------|
| Differences between accumulated depreciation and capital allowances | 51 | 21 | 30 |
| Deferred tax on share based payments | 11 | (8) | 19 |
| Total deferred tax asset | 62 | 13 | 49 |

Notes to the financial statements (continued)

8 Tangible fixed assets

| | Real Estate Leased £000 | Short leasehold land and buildings £000 | Fixtures, fittings, tools and equipment £000 | Motor Vehicles £000 | Total £000 |
|----------------------------|----------------------------------|---|--|---------------------------|---------------|
| <i>Cost</i> | | | | | |
| At 1 January 2020 | 2,531 | 126 | 4,100 | 83 | 6,840 |
| Additions | 82 | - | - | 237 | 319 |
| Disposals | - | - | - | (46) | (46) |
| At 31 December 2020 | 2,613 | 126 | 4,100 | 274 | 7,113 |
| <i>Depreciation</i> | | | | | |
| At 1 January 2020 | 216 | 126 | 3,781 | 47 | 4,170 |
| Charged in year | 226 | - | 190 | 63 | 479 |
| Disposals | - | - | - | (47) | (47) |
| At 31 December 2020 | 442 | 126 | 3,971 | 63 | 4,602 |
| <i>Net book value</i> | | | | | |
| At 31 December 2020 | 2,171 | - | 129 | 211 | 2,511 |
| At 1 January 2020 | 2,315 | - | 319 | 36 | 2,670 |

9 Fixed asset investments

Details of the Company's subsidiaries at 31 December 2020 are as follows:

| | |
|-----------------------------------|-------|
| Shares in Group undertakings | £'000 |
| <i>Cost</i> | |
| At 1 January and 31 December 2020 | 0 |
| <i>Net book value</i> | |
| At 31 December 2020 | 0 |

| Name and address of subsidiary | Place of incorporation (or registration) | Principal activity | Class and percentage of shares held |
|--|--|-------------------------------------|---|
| DVTel UK Limited 37 Broadhurst Gardens, London, NW6 3QT | UK | Sales agent for a group company. | Ordinary 100% |

On 12th February 2020 the net assets of DVTel UK Limited were acquired by Flir Systems UK Limited for £500k. The fair value of the net assets was £778k. This has led to a bargain purchase, with the resulting gain being taken as a gain on the acquisition to the income statement. These assets have contributed £599k to the revenue and £72k to the profit and loss of FLIR Systems Limited in the year.

| | |
|--|--------------|
| | £000 |
| Consideration transferred | 500 |
| Debtors | 108 |
| Cash | 751 |
| Creditors falling due within one year | (81) |
| Fair value of net assets acquired | (778) |
| Gain on asset acquisition | (278) |

Notes to the financial statements (continued)

10 Stocks

| | 2020 £000 | 2019 £000 |
|----------------------------------|--------------|--------------|
| Raw materials and sub-assemblies | 1,223 | 1,132 |

11 Debtors

| | 2020 £000 | 2019 £000 |
|------------------------------------|---------------|---------------|
| Trade debtors | 8,938 | 16,238 |
| Amounts owed by group undertakings | 4,566 | 10,315 |
| Deferred tax asset (see note 7) | 62 | 49 |
| Prepayments and accrued income | 99 | 86 |
| Corporation tax debtor | 8 | 222 |
| Other debtors | 812 | 423 |
| | <u>14,485</u> | <u>27,333</u> |

Debtors include amounts owed by group undertakings of £Nil (2019: £8,067k) due after more than one year on which interest is charged at Euro LIBOR plus 3%.

The directors consider that the carrying amount of trade and other receivables approximates to their fair value

12 Creditors: amounts falling due within one year

| | 2020 £000 | 2019 £000 |
|--|---------------|---------------|
| Payments received on account | 542 | 1,614 |
| Trade creditors | 425 | 268 |
| Amounts owed to group undertakings | 5,020 | 21,701 |
| Current lease liability | 357 | 239 |
| Other taxation and social security costs | 500 | 246 |
| Accruals | 2,112 | 2,765 |
| Deferred income | 2,144 | 1,752 |
| | <u>11,100</u> | <u>28,585</u> |

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

The directors consider that the carrying amount of trade and other payables approximates to their fair value.

Notes to the financial statements (continued)

13 Creditors: amounts falling due after more than one year

| Amounts falling due after more than one year and less than five years: | 2020 £000 | 2019 £000 |
|--|---------------------|---------------------|
| Deferred income | 675 | 948 |
| Lease liabilities | 1,168 | 948 |
| | <u>1,843</u> | <u>1,896</u> |
| Amounts falling due after more than five years: | 2020 £000 | 2019 £000 |
| Lease liabilities | 919 | 1,180 |
| Total | <u>2,762</u> | <u>3,076</u> |

14 Provisions for liabilities

| | Dilapidations provisions £000 | Contract provisions £000 | Warranty provisions £000 | Total £000 |
|---|-------------------------------------|--------------------------------|--------------------------------|-------------------|
| <i>Cost</i> | | | | |
| At beginning of year | 177 | 783 | 186 | 1,146 |
| Release to the profit and loss account for the year | - | (512) | (308) | (820) |
| Additional amounts provided | - | 73 | 350 | 423 |
| At end of year | <u>177</u> | <u>344</u> | <u>228</u> | <u>749</u> |

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.

15 Called up share capital

| | 2020 £000 | 2019 £000 |
|---|--------------|--------------|
| <i>Allotted, called up and fully paid</i> | | |
| 465,000 ordinary shares of £1 each | 465 | 465 |

16 Reserves

| | Capital Contributions £000 | Profit and loss account £000 |
|--|----------------------------------|------------------------------------|
| At 1 January 2020 | 250 | 3,470 |
| Profit for the year | - | 4,217 |
| Credit in relation to share based payments | - | 279 |
| Dividend | - | - |
| At 31 December 2020 | <u>250</u> | <u>7,966</u> |

There is an employee LTIP scheme which under IFRS2 results in a capital contribution of £279k (2019:£332k) by the ultimate parent company as they issue shares to employees of the Company as part of the scheme at no additional cost to the Company.

Notes to the financial statements (continued)

17 Contingent liabilities

The company has a contingent liability regarding duty deferment guarantees at 31 December 2020 to the extent of £60k (2019: £50k).

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 £250k (2019: £239k) to the scheme during the year of which £Nil (2019: £882) was accrued but not yet paid at year end.

19 Reclassification of turnover

Other operating income in 2019 was included in administrative expenses and not identified separately as turnover. This income relates to the turnover from sales and marketing services performed for other parts of the FLIR Group of companies for which the company receives a fixed mark up on costs incurred in the period. In previous years this has been included as a deduction against the related cost. The 2019 turnover and administrative expenses have been restated for this reclassification in turnover.

Impact of reclassification

| | 2019 reclassification | | 2019 restated |
|-------------------------|-----------------------|---------|---------------|
| | £000 | £000 | £000 |
| Turnover | 35,036 | 2,475 | 37,511 |
| Administrative expenses | (4,719) | (2,475) | (7,194) |

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.

From 14th May 2021 the ultimate parent company will be Teledyne Technologies Inc and the results of the company will be included in their consolidated financial statements which are available to the public and are available on line by visiting www.teledyne.com or 1049 Camino Dos Rios, Thousand Oaks, California, 91360-2362, United States.

21 Post Balance Sheet Events

On 13th May 2021 Teledyne Technologies Incorporated acquired Flir Systems Inc (ultimate parent company of FLIR Systems Limited).

On 14th May 2021, post acquisition, the remaining unvested share based payment awards for staff were cashed out by the ultimate parent company, Teledyne Technologies Incorporated, resulting in no liability to the Company.