Ribercore Ltd
2795233

Registered number: 10551260

ROUSE ACQUISITIONCO LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

ROUSE ACQUISITIONCO LIMITED

COMPANY INFORMATION

Directors	James Habel Christopher O'Connor
Registered number	10551260
Registered office	Fibercore House University Parkway Southampton Science Park, Chilworth Southampton SO16 7QQ
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants & Statutory Auditors 3 Forbury Place 23 Forbury Road Reading RG1 3JH

ROUSE ACQUISITIONCO LIMITED

CONTENTS

INTRODUCTION

The directors present the strategic report of the Company and Group for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

Rouse Acquisitionco Limited ("the company") is the holding company of the Fibercore Group, the Aero Sense Technologies group and the Optek group. The Fibercore Group undertakes the design, manufacture and sale of special purpose optical fibers and related products and services. The Aero Sense Technologies group (acquired *on 17 October 2018) undertakes the design and manufacture of aerospace components. The Optek group* (acquired on the 31st January 2019) undertakes the development of laser micromachining processes.

The financial statements are drawn up for the year ended 31 December 2019 (2018: 11 months ended 31 December 2018).

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

Building upon a long and well established line of specialised products and business the Group continues to invest in the improvement of existing and new product lines within fiber optics in order to service the ongoing demand of its existing markets and in order to expand into new ones. In addition the group has diversified into aerospace control component design and manufacturing and laser micro machining via the purchase of the Aero Sense Technologies Group and the Optek Group respectively.

The Group has a strong net asset position at 31 December 2019 of $74,112,000 (11 months ended 31 December 2018: $69,122,000).

The results for the year were a profit of $4,841,000 (11 months ended 31 December 2018: $334,000).

The directors have considered likely future developments and have identified none, other than those noted in the principal risks and uncertainties section below, that would have a significant impact on the ongoing operations of the Group.

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the group's strategy are subject to a number of risks.

Risks are formally reviewed by the board and key management and appropriate processes are put in place to monitor and mitigate them. This process is conducted as part of the Group's quality management process and includes all key stakeholders. The identified risks are assigned a rating and an owner to ensure that are monitored and where possible are reduced. If more than one event occurs it is possible that the overall effect of such events would compound the possible adverse effects on the company.

Competition risk – The Group competes on quality over price of product. If quality improves in the market as a whole then downwards pressure is placed upon the margins of the group, furthermore its customers would have alternative source options open for consideration. The group carries out extensive research and development to ensure the highest quality of product is available to the customer base to ensure that the expectation of the customer are met or exceeded.

Financial risk – As described in the Directors' Report there are a number of financial risk facts which are managed by the directors.

BREXIT risk – The Directors have considered the impact of the United Kingdom leaving the European Union on the business. The Group trades internationally but its main markets are not in Europe so this will limit the impact due to BREXIT. The key issue relates to supply chain management but this can be managed by appropriate adjustments to inventory policies.

COVID-19 risk - *The Directors have considered COVID-19 carefully and are managing the risks to supply chain,* people and customers. This is being achieved via increased forecast review for both sales and cashflow and adjustments to operating procedures to protect staff.

At this stage, the impact on our business and results has not been significant and based on our experience to date, we expect this to remain the case. We will continue to follow the various government policies and advice and in parallel we will do our utmost to continue our operations in the best and safest way possible without jeopardising the health of our people.

We also refer to note 2.4 Going Concern on page 19 and note 32 Post Balance Sheet Events on page 43.

FINANCIAL KEY PERFORMANCE INDICATORS

The Directors of the Group manage its operations on a product basis. For this reason, the Group's Directors *believe that analysis using key performance indicators for the group is not necessary or appropriate* for an understanding of the development, performance or position of the business of the group.

Approved by the board and signed on its behalf by

This report was approved by the board on and signed on its behalf.

James Habel
Director

30 November 2020

The directors present their report and the financial statements for the year ended 31 December 2019.

Directors

The directors who served during the year were:

James Habel
Christopher O'Connor

Results

The profit for the year, after taxation, amounted to $4,841,000 (11 month period ended 31 December 2018: $334,000).

Dividends
The directors do not propose the payment of a dividend for the year ended 31 December 2019 (11 month period ended 31 December 2018: nil).

Charitable and political donations
No donations were made during the year to political or charitable organisations.

Research and Development
The Group undertakes a number of different research and development projects in a year and the costs are taken directly to the income statement. The value expensed to the statement of comprehensive income in the year to 31 December 2019 was $412,000 (11 month period ended 31 December 2018: $168,000).

Future Developments
See the Strategic Report for details of future developments.

Financial risk factors
The Group's activities expose it to a variety of financial risks: price risk, credit risk, liquidity risk, foreign currency risk and interest rate risk). The Group has in place a risk management programme which seeks to minimise potential adverse effects on the Group's financial performance.

Price risk
Where the Group is exposed to commodity price risk as a result of its operations, the costs of managing this exposure exceed any potential benefits. The directors will revisit the appropriateness of this policy should the Group's operations change in size or nature.

Credit risk
Credit risk is the financial loss to the Group if a customer or counterparty to financial instruments fails to meet its contractual obligation. Credit risk arises from the Group's cash and cash equivalents and receivables balances. The amount of exposure to any individual or counterparty is subject to a limit, which is reassessed regularly.

Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. This risk relates to the Group's prudent liquidity risk management and implies maintaining sufficient cash. Liquidity risk is managed through cash flow forecasting.

Foreign exchange risk
The Group has both expenditures and revenue denominated in a foreign currency. This exposure is regularly reviewed. Rouse Acquisitionco Limited and its subsidiaries are participants in the wider group hedging strategy. This group, headed by BEV Bidco 6 Limited employ a formal hedging policy to mitigate the effects of foreign *exchange fluctuations*.

Qualifying third party indemnity provisions
At the time the report is approved there are no qualifying third party indemnity provisions in place for the benefit of one or more of the directors.

Post balance sheet events

Following the end of the financial year, the Group has been affected by the COVID-19 global pandemic. The impact this has had on the business is further discussed in the Strategic report.

Directors' responsibilities statement

The directors are responsible for preparing the Annual report and the consolidated 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments and accounting 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

Independent Auditors

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

James Habel
Director

Date: 30 November 2020

Fibercore House University Parkway
Southampton Science Park, Chilworth
Southampton
SO16 7QQ

Independent auditors' report to the members of Rouse Acquisitionco Limited

Report on the audit of the financial statements

Opinion

In our opinion, Rouse Acquisitionco Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2019 and of the group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the consolidated and company statements of financial position as at 31 December 2019; the consolidated income statement and consolidated statement of comprehensive income, the consolidated statement of cash flows, and the consolidated and company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which 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 group's and company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

Reporting on other information

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

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

Independent auditors' report to the members of Rouse Acquisitionco Limited (continued)

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Independent auditors' report to the members of Rouse Acquisitionco Limited (continued)

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Charlotte Anderson

Charlotte Anderson (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading
30 November 2020

ROUSE ACQUISITIONCO LIMITED

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Year ended 31 December 2019 $000	11 month period ended 31 December 2018 $000
Turnover	4	35,496	15,440
Cost of sales		(12,288)	(5,431)
Gross profit		23,208	10,009
Administrative expenses		(16,420)	(9,290)
Other operating income	5	431	-
Operating profit	6	7,219	719
Interest receivable and similar income	10	32	-
Interest payable and similar expenses	11	(330)	(13)
Profit before tax		6,921	706
Tax on profit	12	(2,080)	(372)
Profit for the financial year		4,841	334
Profit for the year attributable to:			
Owners of the Company		4,841	334

The notes on pages 18 to 43 form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Year ended 31 December 2019 $000	11 month period ended 31 December 2018 $000
Profit for the financial year		4,841	334
Other comprehensive income			
Foreign exchange translation movements on consolidation		149	-
Total comprehensive income for the year		4,990	334

The notes on pages 18 to 43 form part of these financial statements.

ROUSE ACQUISITIONCO LIMITED
REGISTERED NUMBER:10551260

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note		2019 $000		2018 $000
Fixed assets					
Intangible assets	13		69,393		55 517
Tangible assets	14		7,369		5,306
			76,762		60 823
Current assets					
Stocks	16	4,515		4,154	
Debtors: amounts falling due within one year	17	7,873		3,567	
Cash at bank and in hand	18	7,805		5,954	
		20,193		13,675	
Creditors: amounts falling due within one year	19	(14,736)		(2,885)	
Net current assets			5,457		10 790
Total assets less current liabilities			82,219		71 613
Deferred taxation	21	(1,216)		(851)	
Provision for other liabilities	22	(6,891)		(1 640)	
			(8,107)		(2 491)
Net assets			74,112		69,122
Capital and reserves					
Called up share capital	23		70,793		70,793
Foreign exchange reserve			149		-
Capital contribution	24		2,329		2,329
Profit and loss account			841		(4,000)
Equity attributable to owners of the parent Company			74,112		69,122
Total equity			74,112		69,122

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

James Habel
Director

Date: 30 November 2020

The notes on pages 18 to 43 form part of these financial statements.

ROUSE ACQUISITIONCO LIMITED
REGISTERED NUMBER:10551260

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note		2019 $000		2018 $000
Fixed assets					
Investments	15		109,361		82,145
			109,361		82,145
Creditors: amounts falling due within one year	19	(27,508)		(10,855)	
Net current liabilities			*(27,508)*		*(10,855)*
Total assets less current liabilities			81,853		71,290
Provision for other liabilities	22	(5,504)		(600)	
			(5,504)		*(600)*
Net assets			76,349		70,690
Capital and reserves					
Called up share capital	23		70,793		70,793
Profit and loss account brought forward		(103)		(14)	
Profit/(loss) for the year		5,659		(89)	
Profit and loss account carried forward			5,556		(103)
Total equity			76,349		70,690

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

Ja[illegible] Habel
Director

Date: 30 November 2020

The notes on pages 18 to 43 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Called up share capital	Foreign exchange reserve	Capital contribution	Profit and loss account	Total equity
	$000	$000	$000	$000	$000
At 1 February 2018	70,793	-	-	(4,334)	66,459
Comprehensive income for the period					
Profit for the period	-	-	-	334	334
Total comprehensive income for the period	-	-	-	334	334
Contributions by and distributions to owners					
Capital contribution	-	-	2,329	-	2,329
Total transactions with owners	-	-	2,329	-	2,329
At 1 January 2019	70,793	-	2,329	(4,000)	69,122
Comprehensive income for the year					
Profit for the year	-	-	-	4,841	4,841
Foreign exchange translation movements on consolidation	-	149	-	-	149
Total comprehensive income for the year	-	149	-	4,841	4,990
At 31 December 2019	70,793	149	2,329	841	74,112

The notes on pages 18 to 43 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Called up share capital	Profit and loss account	Total equity
	$000	$000	$000
At 1 February 2018	70,793	(14)	70,779
Comprehensive income for the period			
Loss for the period	-	(89)	(89)
Total comprehensive income for the period	-	(89)	(89)
At 1 January 2019	70,793	(103)	70,690
Comprehensive income for the year			
Profit for the year	-	5,659	5,659
Total comprehensive income for the year	-	5,659	5,659
At 31 December 2019	70,793	5,556	76,349

The notes on pages 18 to 43 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Year ended 31 December 2019 $000	11 Months ended 31 December 2018 $000
Cash flows from operating activities		
Profit for the financial year	4,841	334
Adjustments for:		
Amortisation of intangible assets	4,560	2,707
Depreciation of tangible assets	999	421
Interest paid	330	13
Interest received	(32)	-
Taxation charge	2,080	372
(Increase)/decrease in stocks	(150)	570
(Increase)/decrease in debtors	(2,043)	664
(Decrease) in creditors	(638)	(1,928)
Increase in provisions	51	-
Corporation tax (paid)	(936)	(1,072)
Non cash stock movement	-	400
Foreign Exchange	152	(63)
Net cash generated from operating activities	9,214	2,418
Cash flows from investing activities		
Purchase of intangible fixed assets	-	(34)
Purchase of tangible fixed assets	(1,715)	(175)
Interest received	32	-
Cash outflow on acquisition (Net of cash and cash equivalents acquired)	(5,350)	(4,255)
Net cash outflow from investing activities	(7,033)	(4,464)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 $000	2018 $000
Cash flows from financing activities		
Interest paid	(330)	-
Capital contribution	-	2,329
Net cash (outflow from)/generated from financing activities	(330)	2,329
Net increase in cash and cash equivalents	1,851	283
Cash and cash equivalents at beginning of year	5,954	5,671
Cash and cash equivalents at the end of year	7,805	5,954
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	7,805	5,954
	7,805	5,954

The notes on pages 18 to 43 form part of these financial statements.

The Company has elected to take the available exemption under FRS 102, para 1.12(b) not to present a Company statements of cash flows.

1. GENERAL INFORMATION

Rouse Acquisitionco Limited is a limited liability company, limited by shares, incorporated and domiciled in England. Its registered office is Fibercore House, University Parkway, Southampton Science Park, Southampton, Hampshire, SO16 7QQ.

The consolidated financial statements of the Group for the year ended 31 December 2019 comprise the Company, Rouse Acquisitionco Limited and its subsidiaries. A listing of the Company's subsidiaries is given in the note 30.

The Group undertakes the design, manufacture and sale of special purpose optical fibres and related products and services. It has an optical fiber manufacturing facility near Southampton, United Kingdom. The Aerosense Technologies group engages in the design, manufacture and sale of aerospace components with sites in the United Kingdom and Sri Lanka. In January 2019, the Company acquired the *Optek Group, based in the UK, which undertakes the development of laser micromachining processes.*

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The consolidated financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland ("FRS 102") and the Companies Act 2006.

The preparation of financial statements in *compliance with FRS 102 requires the use of certain* critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own income statement in these financial statements.

The consolidated financial statement are presented in U.S. dollar to the nearest thousand ($'000), except where otherwise indicated.

The period of the financial statements is for the year ended 31 December 2019. The prior year period was an 11 months period to 31 December 2018. The change in the prior year occurred to bring the Company into line with the group accounting period.

The following principal accounting policies have been applied:

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated income statement from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 01 January 2017.

2. ACCOUNTING POLICIES (continued)

2.3 PENSIONS

DEFINED CONTRIBUTION PENSION PLAN

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Group in independently administered funds.

2.4 GOING CONCERN

The directors have considered the outbreak of COVID-19 in early 2020 and what impact it will have on the ongoing operations of the business. Whilst the initial impact on trading has been limited, there are risks that the Company and Group faces as a result of the outbreak and the ongoing restrictions in movement currently being seen in the UK and worldwide.

The directors have reviewed the Group's current stock holdings, working environment and future trading ability, and as a result anticipate that the business will be able to continue trading despite the difficulties posed as a result of COVID-19. Specifically, the directors have:

- Reviewed forecasts and projections
- Considered the impact of possible changes in trade as a result of COVID-19
- Modelled downside scenarios (including sensitivity analysis) and assessed impact on the Group's ongoing business

Having considered the above, the directors consider it appropriate for the financial statements to be prepared on a going concern basis.

2. ACCOUNTING POLICIES (continued)

2.5 FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

The Company's functional and presentational currency is USD.

The primary trading entities in the group are Fibercore Limited, OpTek Limited, AeroSense (Private) Limited (a company incorporated in Sri Lanka) and OpTek Systems Inc (a company incorporated in the USA). With the exception of OpTek Limited, the majority of revenue, purchases and other transactions are denominated in USD. The majority of transactions within OpTek Limited are denominated in GBP. All companies prepare their management accounts in USD.

Based on the above, it is considered appropriate to present the financial statements of the Group in USD.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in consolidated income statement except when deferred in other comprehensive income as qualifying cash flow hedges.

On consolidation, the results of overseas operations are translated into Dollars at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

2.6 REVENUE

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the *Group and the revenue can be reliably measured. Revenue is measured as the fair value of the* consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- *the Group has transferred the significant risks and rewards of ownership to the buyer;*
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- *the amount of revenue can be measured reliably;*
- it is probable that the Group will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2. ACCOUNTING POLICIES (continued)

2.6 REVENUE (CONTINUED)

Provision of goods under contract

Revenue from the provision of goods under contract is recognised in the period in which the goods are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.7 RESEARCH AND DEVELOPMENT

Research and development costs are recognised in the consolidated income statement as incurred.

2.8 GOVERNMENT GRANTS

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Consolidated income statement in the same period as the related expenditure.

2.9 INTEREST INCOME

Interest income is recognised in the consolidated income statement using the effective interest method.

2.10 FINANCE COSTS

Finance costs are charged to the consolidated income statement over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2. ACCOUNTING POLICIES (continued)

2.11 SHARE BASED PAYMENTS

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the consolidated income statements over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected o vest at each Statement of financial position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Group keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the consolidated income statement over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the consolidated income statement is charged with fair value of goods and services received.

2.12 CURRENT AND DEFERRED TAXATION

The tax expense for the year comprises current and deferred tax. Tax is recognised in consolidated income statement except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences. Deferred tax is recognised in business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2. ACCOUNTING POLICIES (continued)

2.13 BUSINESS COMBINATIONS

The Group applies the purchase method in accounting for business combinations. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued, the fair value of contingent or deferred consideration and liabilities incurred or assumed. The excess of the costs of a business combination over the fair value of the identifiable net assets acquired is recorded as goodwill. If the cost of a business combination is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Contingent consideration is initially recognised at estimated amount where the consideration is probable and can be measured reliably. Where (i) the contingent consideration is not considered probable or cannot be reliably measured but subsequently becomes probable and measureable or (ii) contingent consideration previously measured is adjusted, the amounts are recognised as an adjustment to the cost of the business combination.

2.14 INTANGIBLE ASSETS

GOODWILL

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Consolidated income statement over its useful economic life.

OTHER INTANGIBLE ASSETS

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses. Other intangibe assets are amortised on a straight line basis to the consolidated income statement over their useful economic lives.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Patents and licences	-	4-20 years
Computer software	-	3 years
Goodwill	-	10-20 years
Distribution licence	-	20 years

See note 13.

2. ACCOUNTING POLICIES (continued)

2.15 TANGIBLE FIXED ASSETS

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Long-term leasehold interest	- 50 years
Building and leasehold improvements	- Over the remianing life of the building
Plant and machinery	- 8 years
Fixtures, fittings and equipment	- 3-8 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in consolidated income statement.

See note 14.

2.16 VALUATION OF INVESTMENTS

Investments in subsidiaries are measured at cost less accumulated impairment.

2.17 STOCKS

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted averagebasis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the consolidated income statement.

2.18 DEBTORS

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2. ACCOUNTING POLICIES (continued)

2.19 CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

2.20 CREDITORS

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.21 FINANCIAL INSTRUMENTS

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated income statement.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial Liabilities

Basic financial liabilities including trade and other payables are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

2. ACCOUNTING POLICIES (continued)

2.22 PROVISIONS FOR LIABILITIES

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the consolidated income statement in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

3. JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of consolidated finacial information under FRS 102 requires the Group to make estimates and judgments 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.

Reference is made in this note to accounting policies which cover areas that the Directors consider require estimates and assumptions which have significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year. These policies can be found below:

Goodwill accounting
The valuation of business combinations require signifianct estimates which require the management to make judgments (notes 2.14, 13, and 25).

Useful economic lives
The directors use the best available information to estimate the useful economic lives of the intangible assets. However, there is significant uncertainty about the length of time technology will remain commercial for (notes 2.14 and 13).

Fair value of earn out on business combination (contingent consideration)
The contingent consideration relates to the amounts owed relating to the future performance of business conducted under the master sales and distribution agreement in place with Acreo Swedish ICR AB, the former shareholders of the Aerosense Technologies Holdings Limited and amounts owed to the former shareholders of the OpTek Group. *As there are a considerable unknowns factors related to this forecasts* it requires a significant amount of management judgement (notes 22 and 25).

4. TURNOVER

	Year ended 31 December 2019 $000	11 month period ended 31 December 2018 $000
Turnover	35,496	15,440
	35,496	15,440

The turnover is attributable to the principal activity of the Group.

An analysis of turnover by geographical area and activity has not been given because in the opinion of the directors such disclosure would be seriously prejudical to the interests of the Group.

5. OTHER OPERATING INCOME

	Year ended 31 December 2019 $000	11 month period ended 31 December 2018 $000
Government grants receivable	431	-
	431	-

6. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	Year ended 31 December 2019 $000	11 month period ended 31 December 2018 $000
Amortisation of intangible assets	4,560	2,707
Depreciation of tangible assets	999	421
Operating lease rentals	433	78
Research and development costs	412	168
Exchange differences	(284)	(63)

7. AUDITORS' REMUNERATION

	Year ended 31 December 2019 $000	11 month period ended 31 December 2018 $000
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	**155**	103

FEES PAYABLE TO THE GROUP'S AUDITOR AND ITS ASSOCIATES IN RESPECT OF:

Taxation compliance services	**31**	18
	31	18

8. EMPLOYEES

Staff costs, including directors' remuneration, were as follows:

	Group Year ended 31 December 2019 $000	Group 11 Month period ended 31 December 2018 $000
Wages and salaries	**8,122**	3,625
Social security costs	**514**	624
Share based payment	**-**	2,329
Contribution to defined contribution pension scheme	**194**	134
	8,830	6,712

The average monthly number of employees, including the directors, during the year was as follows:

	Year ended 31 December 2019 No.	11 month period ended 31 December 2018 No.
Production staff	**137**	19
Administration staff	**12**	6
Engineering staff	**41**	7
Marketing staff	**25**	8

8. *EMPLOYEES (CONTINUED)*

	215	*40*

Share Based Payments

Share options in the erstwhile parent company of the Group (Safety Technology Topco Inc) were granted to selected employees of the Group. The options were conditional on the employee completing 1 to 5 *years of service and/or being employed at the change of control of the Parent Company. In the previous* year, the Parent Company of the the Group was acquired by an investment fund managed by Bridgepoint Capital. Accordingly, due to the change in control of the Parent company all the shares granted to employees under the option became vested and were cash settled by Fibercore Limited. The settlement of this option was recognised as an expense in the prior year ($2,329,000) and was included in Administrative expenses. Funding for the settlement ultimately came from the acquiring entity, Safe Parent Inc via Safe Technology Topco Inc (A Company under common control of the new parent company) which was recognised as a capital contribution from the Parent and was included in Equity.

The Company has no employees other than the directors, who did not receive any remuneration *(2018: $NIL)*

9. KEY MANAGEMENT PERSONNEL

	Year ended 31 December 2019 $000	11 month period ended 31 December *2018* $000
Wages and salaries	**1,151**	2,393
Company contributions to defined contribution pension schemes	**21**	15
Social security costs	**100**	324
	1,272	2,732

Key managament personnel comprise the senior operational staff of the Group.

The directors' services to this company are of a non-executive nature and their remuneration is deemed to be wholly attributable to their services to other companies which pay their cost and no recharge is made. Accordingly these financial statements include no emoluments in respect of the directors.

10. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 31 December 2019 $000	11 month period ended 31 December 2018 $000
Other interest receivable	32	-
	32	-

11. INTEREST PAYABLE AND SIMILAR EXPENSES

	Year ended 31 December 2019 $000	11 month period ended 31 December 2018 $000
Unwinding of discount on provisions	315	13
Intercompany Interest	15	-
	330	13

12. TAXATION

	Year ended 31 December 2019 $000	11 month period ended 31 December 2018 $000
CORPORATION TAX		
Current tax on profits for the year	2,272	678
TOTAL CURRENT TAX	2,272	678
DEFERRED TAX		
Origination and reversal of timing differences	(192)	(306)
TOTAL DEFERRED TAX	(192)	(306)
TAXATION ON PROFIT	2,080	372

12. TAXATION (CONTINUED)

FACTORS AFFECTING TAX CHARGE FOR THE YEAR/PERIOD

The tax assessed for the year/period is higher than (2018: higher than) the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	Year ended 31 December 2019 $000	11 month period ended 31 December 2018 $000
Profit before taxation	**6,921**	706
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	**1,315**	134
EFFECTS OF:		
Expenses not deductible for tax purposes	**844**	383
Prior year movement	**-**	(145)
Patent box claim	**(148)**	-
Other	**69**	-
TOTAL TAX CHARGE FOR THE YEAR/PERIOD	**2,080**	372

13. INTANGIBLE ASSETS

Group

	Patents and licences $000	Computer software $000	Goodwill $000	Total $000
COST				
At 1 January 2019	6,800	94	54,248	61,142
Disposals	-	(13)	-	(13)
On acquisition of subsidiaries	1,477	-	16,959	18,436
At 31 December 2019	8,277	81	71,207	79,565
AMORTISATION				
At 1 January 2019	605	60	4,960	5,625
Charge for the year on owned assets	382	31	4,147	4,560
On disposals	-	(13)	-	(13)
At 31 December 2019	987	78	9,107	10,172
NET BOOK VALUE				
At 31 December 2019	7,290	3	62,100	69,393
At 31 December 2018	6,195	34	49,288	55,517

The patents and licences relate to the legal costs to obtain patents and the cost to purchase licences. The computer software costs are the costs on new licenses.

The goodwill relates to Fibercore Limited, the Aero Sense Technologies Group and the OpTek Group.

The Goodwill for Fibercore Limited is amortised on a 20 year basis as the goodwill is created by the technology and customer relationships held by the Fibercore Limited. As the length of a patent is usually 20 years it was felt that this represented a good approximation of the life of the goodwill.

For the Aero Sense Technologies Group and OpTek Group the goodwill is 10 years in line with FRS102 as no specific factor was identified to change this position.

The Company has no intangible assets at 31 December 2019 (31 December 2018: nil)

14. TANGIBLE FIXED ASSETS

Group

	Long Leashold Interest $000	Building & Leasehold Improvements $000	Plant and machinery $000	Fixtures, Fittings & Equipment $000	Total $000
COST OR VALUATION					
At 1 January 2019	639	2,588	2,705	199	6,131
Additions	-	-	1,449	266	1,715
Acquisition of subsidiary	-	156	1,044	150	1,350
Disposals	-	-	(332)	(113)	(445)
Exchange adjustments	-	2	-	4	6
At 31 December 2019	639	2,746	4,866	506	8,757
DEPRECIATION					
At 1 January 2019	27	111	588	99	825
Charge for the year on owned assets	14	65	835	85	999
Disposals	-	-	(332)	(113)	(445)
Exchange adjustments	-	-	9	-	9
At 31 December 2019	41	176	1,100	71	1,388
NET BOOK VALUE					
At 31 December 2019	598	2,570	3,766	435	7,369
At 31 December 2018	612	2,477	2,117	100	5,306

The Company has no tangible assets at 31 December 2019 (31 December 2018: nil)

15. FIXED ASSET INVESTMENTS

Company

	Investments in subsidiary companies $000
COST OR VALUATION	
At 1 January 2019	82,145
Additions	27,216
At 31 December 2019	109,361

The directors believe that the carrying value of the investments is supported by their underlying net assets.

See note 25 for details of business combinations and notes 30 and 31 for details of subsidiaries.

16. STOCKS

	Group 2019 $000	Group 2018 $000
Raw materials and consumables	1,037	1,040
Work in progress (goods to be sold)	845	-
Finished goods and goods for resale	2,633	3,114
	4,515	4,154

Company

The Company has no stock held at the end of the current year (2018: $nil).

17. DEBTORS

	Group 2019 $000	Group 2018 $000
Trade debtors	7,498	3,110
Amounts owed by intra-group companies	-	48
Other debtors	122	226
Prepayments and accrued income	253	183
	7,873	3,567

17. DEBTORS (CONTINUED)

Group

Trade debtors are stated after provision for impairment of $52,000 (2018: $36,000).

Amounts owed by intra-group companies are unsecured, interest free, have no fixed repayment date and are repayable on demand.

Company

The company has no receivable balance for the current year (2018: $nil).

18. CASH AND CASH EQUIVALENTS

	Group 2019 $000	Group 2018 $000
Cash at bank and in hand	7,805	5,954
	7,805	5,954

Company

The company has no cash balance in the current year (2018: $nil).

19. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2019 $000	Group 2018 $000	Company 2019 $000	Company 2018 $000
Trade creditors	749	628	-	-
Amounts owed to group undertakings	-	-	17,221	9,812
Amounts owed to intra-group companies	474	355	-	355
Corporation tax	1,369	53	-	-
Other taxation and social security	189	84	-	-
Other creditors	25	-	-	-
Accruals and deferred income	11,910	1,765	10,287	688
	14,736	2,885	27,508	10,855

The amounts owed to group undertakings and intra-group companies are unsecured, have no fixed repayment date and interest is charged at 4%.

Accruals and deferred income includes $10,287k (2018:$nil) relating to deferred consideration payable on acquisition of OpTek Group(see note 25) .

20. FINANCIAL INSTRUMENTS

	Group 2019 $000	Group 2018 $000	Company 2019 $000	Company 2018 $000
FINANCIAL ASSETS				
Cash at bank and in hand	7,805	5,954	-	-
Financial assets that are debt instruments measured at amortised cost	7,620	3,384	-	-
	15,425	9,338	-	-
FINANCIAL LIABILITIES				
Other financial liabilities measured at fair value through profit or loss	(5,887)	(973)	(5,504)	(600)
Financial liabilities measured at amortised cost	(13,158)	(2,738)	(27,508)	(10,167)
	(19,045)	(3,711)	(33,012)	(10,767)

Financial assets that are debt instruments measured at amortised cost comprise trade and other receivables excluding prepayments.

Other financial liabilities measured at fair value through profit or loss comprise contingent consideration

Financial liabilities measured at amortised cost comprise trade and other creditors, accruals and amounts owed to intra-group companies.

21. DEFERRED TAXATION

Group

	2019 $000
At beginning of year	(851)
Credited to consolidated income statement	192
Arising on business combinations	(557)
AT END OF YEAR	(1,216)

21. DEFERRED TAXATION (CONTINUED)

	Group 2019 $000	Group 2018 $000
Accelerated capital allowances	5	37
Tax losses carried forward	(1,221)	(888)
	(1,216)	(851)

22. PROVISIONS FOR OTHER LIABILITIES

Group

	Warranty provision $000	Lease restoration obligation $000	Contingent Consideration $000	Total $000
At 1 January 2019	85	582	973	1,640
(Credited)/Charged to profit or loss	(190)	46	-	(144)
Arising on business combinations	292	189	4,927	5,408
Utilised in year	-	-	(13)	(13)
AT 31 DECEMBER 2019	187	817	5,887	6,891

Warranty provision

Provision for warranty is recognised for expected warranty claims on products sold during the last period. It is expected that most of these costs will be incurred in the next financial period

Lease restoration obligation

Provision is made for the estimated liabilities that will be incurred by the Group on the termination of the property lease and an equivalent amount is capitalised and written off over the estimated useful life of the asset. The increase in the provision due to passage of time is recognised as an interest expense. Other increases are treated as an increase to the amount capitalised and written off over the period of the lease. The lease is scheduled to finish in 2101.

Contingent Consideration

This represents the current fair value of the amounts owed in relation to the acquisition of the distribution agreement from Acreo Swedish ICT AB ($383,000) and payments due to the previous shareholders of Aero Sense Technologies Holdings Limited ($577,000) and amounts owed to the former shareholders of the OpTek Group following its acquisition by the Group ($4,927,000). The remaining payments are estimated to become payable over the next three years.

22. PROVISIONS FOR OTHER LIABILITIES (CONTINUED)

Company

	Warranty provision $000	Lease restoration obligation $000	Contingent Consideration $000	Total $000
At 1 January 2019	-	-	600	600
Arising on business combinations	-	-	4,927	4,927
Utilised in year	-	-	(23)	(23)
AT 31 DECEMBER 2019	-	-	**5,504**	**5,504**

Contingent Consideration

This represents the current fair value of the payments due to the previous shareholders of Aero Sense Technologies Holdings Limited ($577,000) and amounts owed to the former shareholders of the OpTek Group ($4,927,000) following its acquisition by the Group. The remaining payments are estimated to become payable over the next three years.

23. SHARE CAPITAL

	2019 $000	2018 $000
ALLOTTED, CALLED UP AND FULLY PAID		
70,793,000 (2018: 70,793,000) Ordinary A shares of $1.00 each	**70,793**	70,793

24. RESERVES

Capital contribution

The capital contribution reserve represents a payment made by a company under common control (Sensor Technology Topco Inc.) to the group as a reimbursement for amounts paid in respect of the share based payments plan.

25. BUSINESS COMBINATIONS

Acquisition of Iruvis Limited and subsidiaries OpTek Limited and OpTek Systems Inc (together referred to as "OpTek Group"

Recognised amounts of identifiable assets acquired and liabilities assumed on acquisition at 31 January 2019

	Book value $000	Fair value adjustment $000	Fair value $000
Tangible	729	621	1,350
Intangible	30	1,447	1,477
	759	2,068	2,827
Stocks	193	17	210
Debtors	2,263	-	2,263
Cash at bank and in hand	6,652	-	6,652
TOTAL ASSETS	9,867	2,085	11,952
Due within one year	(1,111)	246	(865)
Accrued income taxes	(408)	(422)	(830)
TOTAL IDENTIFIABLE NET ASSETS	8,348	1,909	10,257
Goodwill			16,959
TOTAL PURCHASE CONSIDERATION			27,216

Consideration

	$000
Cash	11,615
Fair value of earn out	4,927
Deferred consideration	10,287
Directly attributable costs	387
TOTAL PURCHASE CONSIDERATION	27,216

25. BUSINESS COMBINATIONS (CONTINUED)

Cash outflow on acquisition

	$000
Purchase consideration settled in cash, as above	11,615
Directly attributable costs	387
	12,002
Less: Cash and cash equivalents acquired	(6,652)
NET CASH OUTFLOW ON ACQUISITION	5,350

Other intangibles acquired relate to the fair value of the intellectual property held by the OpTek Group. It is considered probable that future econcomic benefits will be derived from the intellectual property which is also considered to be separable from other intangible assets.

The results of Iruvis Limited and subsidiaries OpTek Limited and OpTek Systems Inc (together referred to as "OpTek Group" since its acquisition are as follows:

	1 February 2019 - 31 December 2019 $000
Turnover	13,305
Profit for the year/period	2,966

26. PENSION COMMITMENTS

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to $194,000 (11 month period ended 31 December 2018: $134,000) . Contributions totalling $34,000 (2018: $23,000) were payable to the fund at the reporting date and are included in creditors.

27. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2019 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2019 $000	Group 2018 $000
Land and Buildings		
Not later than 1 year	455	98
Later than 1 year and not later than 5 years	653	-
	1,108	98

	Group 2019 $000	Group 2018 $000
Other		
Not later than 1 year	111	89
Later than 1 year and not later than 5 years	113	105
	224	194

Company
The Company holds no operating leases in the current year (2018: $nil).

28. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption under section 33 of FRS 102 and has not reported details of transactions or balances with other wholly-owned group companies.

29. CONTROLLING PARTY

The Group's immediate parent is Humanetics Innovative Solutions Inc. The directors regard BEV Bidco 6 Limited to be the ultimate controlling party.

30. SUBSIDIARY UNDERTAKINGS

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
H.I.G. Europe - Fibercore Bidco Limited	United Kingdom	Ordinary	100%
H.I.G. Europe - Fibercore Bidco 2 Limited	United Kingdom	Ordinary	100%
Fibercore Limited	United Kingdom	Ordinary	100%
AeroSense Technologies Holdings Limited	United Kingdom	Ordinary	100%
AeroSense Technologies Limited	United Kingdom	Ordinary	100%
AreoSense (Private) Limited	Sri Lanka	Ordinary	100%
Iruvis Limited	United Kingdom	Ordinary	100%
OpTek Limited	United Kingdom	Ordinary	100%
OpTek Systems Inc	United States of America	Ordinary	100%

H.I.G. Europe - Fibercore Bidco Limited, H.I.G. Europe - Fibercore Bidco 2 Limited and Fibercore Limited have the registered address of Fibercore House University Parkway, Southampton Science Park, SO16 7QQ.

AeroSense Technologies Holdings Limited and AeroSense Technologies Limited have the registered address of 1 Harrier Court, Exeter, EX5 2DR.

AeroSense (Private) Limited has the registered address of Ramuthugala Industrial Estate, Kadawatha, Sri Lanka.

Iruvis Limited and Optek Limited have the registered address of Unit 14 Blacklands Way, Abingdon Business Park, Oxfordshire, OX14 1DY.

OpTek Systems Inc has the registered address of 12 Pilgrim Road, Greenville, SC 29607, USA.

31. SUBSIDIARY UNDERTAKINGS (ADDITIONAL DETAILS)

The aggregate of the share capital and reserves as at 31 December 2019 and the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

Name	Aggregate of share capital and reserves $000	Profit/(Loss) $000
H.I.G. Europe - Fibercore Bidco Limited	2,289	-
H.I.G. Europe - Fibercore Bidco 2 Limited	1,506	(781)
Fibercore Limited	52,676	7,549
AeroSense Technologies Holdings Limited	-	-
AeroSense Technologies Limited	925	310
Iruvis Limited	1,778	7,604
OpTek Limited	6,094	4,302

Parent Company Guarantee

Subsidiaries of parent companies established within the European Economic Area are exempt from an audit if a guarantee is provided by the parent for the subsidiary's liabilities and the shareholders are in unanimous agreement. The Group will be exempting all the eligble above subsidiary companies (those based in the UK) from an audit for the year ended 31 December 2019, under section 479A of the Companies Act 2006. All subsidiary companies have been fully consolidated into Rouse Acquisitionco Limited's Group financial statements.

32. POST BALANCE SHEET EVENTS

Following the end of the financial year, the Group's business has been impacted by the outbreak of the COVID-19 global pandemic. A further analysis of the Group's response to the pandemic is included within the Strategic report. Consideration of going concern is given in note 2.4.

This is considered to be a non-adjusting post balance sheet event.