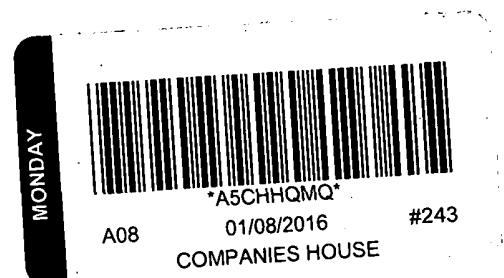


# VG Systems Limited

## Annual report and financial statements for the year ended 31 December 2015

Company registration number: 03153085



# **VG SYSTEMS LIMITED**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

### **Contents**

Officers & Professional Advisers	3
Strategic Report for the Year Ended 31 December 2015	4
Directors Report for the Year Ended 31 December 2015	6
Independent Auditors' report to the members of VG Systems Limited	8
Profit and Loss Account for the Year Ended 31 December 2015	10
Statement of Comprehensive Income for the Year Ended 31 December 2015	11
Balance Sheet as at 31 December 2015	12
Statement of Changes in Equity for the Year Ended 31 December 2015	13
Notes to the Financial Statement for the Year Ended 31 December 2015.	14

# **VG SYSTEMS LIMITED**

## **OFFICERS AND PROFESSIONAL ADVISERS**

### **Directors**

L Grant  
N Ince  
D Norman

### **Company Secretary**

Oakwood Company Secretary Limited  
R Gregg

### **Registered office**

3<sup>rd</sup> Floor  
1 Ashley Road  
Altrincham  
WA14 2DT

### **Bankers**

Barclays Bank  
1 Churchill Place  
London  
E14 5HP

### **Solicitors**

Addleshaw Goddard  
100 Barbirolli Square  
Manchester  
M2 3AB

### **Independent auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
The Atrium  
1 Harefield Road  
Uxbridge  
Middlesex  
UB8 1EX

# **VG SYSTEMS LIMITED**

## **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2015**

The directors present their strategic report on the company for the year ended 31 December 2015.

### **Review of the business and future developments**

The directors are satisfied with the performance in the year due as turnover growth continues to be strong and gross margins have improved from the previous year. The directors expect to see continued operational growth in the future, and given improving market conditions this is expected to be to a greater extent than observed during 2015.

The markets in which the company operates remain challenging, however signs of improvement in key regions are starting to emerge.

Investment in research and development remains high, this is expected to maintain and expand the company's firm positioning in the market. Research and development expenditure during the year was £1,273,000 (2014: £1,337,000).

### **Key performance indicators**

The directors believe that the key performance indicators ('KPIs') are revenue growth and profitability.

Revenue has increased from £17,198,000 to £18,025,000 as a result of a stronger performance in the APAC region.

The profit after tax for the year was £2,643,000 (2014: Loss of £466,000) which will be transferred to reserves.

Cost of sales has decreased at a proportionally lower rate than revenue resulting in an increase in gross profit margins to 35% (2014: 18%). This is due to a number of factors, including both Price and more highly configured systems.

Operating margins increased marginally in relation to sales to 14% (2014: -3%), which was in line with management expectations, given the improvement in revenue.

Employee numbers remained constant at 68 (2014: 68) in the year.

### **Principal risks and uncertainties and financial risk management**

The management of the business is subject to a number of risks including commercial risk, price risk, credit risk and interest rate cash flow risk. The mitigation of these risks has been outlined below.

#### *Commercial risk*

The company continues to improve its services in order to maintain and develop its market place penetration as evidenced by the investment in research and development of new products.

#### *Financial risk management*

The company's operations expose it to a variety of financial risks that include the effects of changes in price risk, credit risk, currency risk and interest rate cash flow risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs.

In order to ensure stability of cash out flows and hence manage interest rate risk, the company is supported by fellow group operations. The company does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied.

# **VG SYSTEMS LIMITED**

## **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2015**

### **Principal risks and uncertainties and financial risk management (continued)**

#### *Financial risk management (continued)*

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department. The department has a policy and procedures manual that sets out specific guidelines to manage interest rate risk, credit risk and circumstances where it would be appropriate to use financial instruments to manage these.

#### *Price risk*

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

#### *Credit risk*

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is continually reviewed by the senior management team.

#### *Currency risk*

The company is exposed to currency risk as a result of its operations. However, given the size of the company's operations, the cost of managing the exposure to currency risk through the use of derivative financial instruments exceeds any potential benefits, and as such no hedge accounting is applied. The company operates foreign currency bank accounts in order to offset foreign currency receipts and payments.

#### *Interest rate cash flow risk*

The company has interest bearing assets being cash balances only, all of which earn interest at a variable rate. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature. Interest payable is on group loans only and therefore management of cash flows is taken account of as part of the group's financing activity.

### **Transition to FRS 102**

This is the first year that the company has presented its results under FRS 102. The last financial statements under the UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 102 was 1 January 2014. Note 22 details the changes in accounting policies which reconcile profit for the financial year ended 31 December 2014 and the total equity as at 1 January 2014 and 31 December 2014 between UK GAAP as previously reported and FRS 102.

On behalf of the board



N Ince  
Director

22 July 2016

# **VG SYSTEMS LIMITED**

## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015**

The directors present their report and the audited financial statements of the company for the year ended 31 December 2015.

### **Future developments**

Future developments are deemed to be of strategic importance to the company and as such have been outlined within the strategic report.

### **Dividends**

The directors do not recommend the payment of a dividend (2014: £nil).

### **Financial risk management and research and development**

Disclosures relating to these areas are included in the strategic report.

### **Directors**

The directors who held office during the year and up to the date of signing the financial statements are given below:

L Grant  
K N Wheeler (resigned 16 November 2015)  
K Wright (resigned 4 September 2015)  
N Ince (appointed 10 September 2015)  
D Norman (appointed 16 November 2015)

### **Third party indemnity provision**

The company has made qualifying third party indemnity provisions for the benefit of its directors (which extend to the performance of any duties as a director of any associated company) and these remain in force at the date of this report.

### **Research and development**

The company encourages research and development investment. Research and development programmes are managed to obtain a balance between improvements to existing products and development of new products.

### **Employees**

The company recognises the benefit of keeping employees informed of the progress of the business and of involving them in the company's performance and, accordingly, maintains regular communications with employees and has well established consultation arrangements.

### **Disabled employees**

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a disabled person.

Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion wherever appropriate.

# **VG SYSTEMS LIMITED**

## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015**

### **Statement of Directors' Responsibilities**

The directors are responsible for preparing the strategic report, 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, the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), and applicable law).

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 accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company 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 enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Disclosure of information to auditors**

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

- So far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- Each director has taken all the steps that he/she should have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

### **Independent Auditors**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the annual general meeting.

On behalf of the board



N Ince  
Director

22 July 2016

# **VG SYSTEMS LIMITED**

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VG SYSTEMS LIMITED**

### **Report on the financial statements**

---

#### **Our opinion**

In our opinion, VG Systems Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
  - have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
  - have been prepared in accordance with the requirements of the Companies Act 2006.
- 

#### **What we have audited**

The financial statements, included within the Annual Report, comprise:

- the Balance Sheet as at 31 December 2015;
- the Profit and loss account and the Statement of comprehensive income for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

---

#### **Opinion on other matter prescribed by the Companies Act 2006**

---

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

---

#### **Other matters on which we are required to report by exception**

---

##### **Adequacy of accounting records and information and explanations received**

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, 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.

We have no exceptions to report arising from this responsibility.

---

##### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.



# **VG SYSTEMS LIMITED**

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VG SYSTEMS LIMITED**

---

### **Responsibilities for the financial statements and the audit**

---

#### **Our responsibilities and those of the directors**

As explained more fully in the Statement of Directors' Responsibilities on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the parent 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.

---

#### **What an audit of financial statements involves**

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Uxbridge

26 July 2016

**VG SYSTEMS LIMITED****FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER  
2015****PROFIT AND LOSS ACCOUNT**

		<b>Year ended 31 December</b>	
	<b>Note</b>	<b>2015 £'000</b>	<b>2014 £'000</b>
<b>Turnover</b>	<b>3</b>	<b>18,025</b>	<b>17,198</b>
Cost of sales		<b>(11,761)</b>	<b>(12,975)</b>
Exceptional cost of sales	<b>4</b>	<b>-</b>	<b>(1,208)</b>
<b>Gross profit</b>		<b>6,264</b>	<b>3,015</b>
Distribution costs		<b>(1,503)</b>	<b>(1,394)</b>
Administrative expenses		<b>(2,245)</b>	<b>(2,118)</b>
<b>Operating profit / (loss)</b>	<b>4</b>	<b>2,516</b>	<b>(497)</b>
<b>Profit / (loss) on ordinary activities before interest and taxation</b>		<b>2,516</b>	<b>(497)</b>
Interest receivable and similar income	<b>7</b>	<b>130</b>	<b>79</b>
Net interest income	<b>7</b>	<b>130</b>	<b>79</b>
<b>Profit / (loss) on ordinary activities before taxation</b>		<b>2,646</b>	<b>(418)</b>
Tax on profit/(loss) on ordinary activities	<b>8</b>	<b>(3)</b>	<b>(48)</b>
<b>Profit / (loss) for the financial year</b>		<b>2,643</b>	<b>(466)</b>

# VG SYSTEMS LIMITED

## Statement of comprehensive income

		Year ended 31 December	
	Note	2015 £'000	2014 £'000
Profit/(loss) for the financial year		2,643	(466)
Other comprehensive income:		-	-
Total comprehensive income for the year		2,643	(466)

# VG SYSTEMS LIMITED

## BALANCE SHEET

		As at 31 December	
	Note	2015 £'000	2014 £'000
<b>Fixed assets</b>			
Tangible assets	9	709	684
		<b>709</b>	<b>684</b>
<b>Current assets</b>			
Inventories	10	4,687	3,719
Debtors (including £nil (2014: £nil) due after one year	11	3,586	3,613
Cash at bank and in hand		18,505	16,074
		<b>26,778</b>	<b>23,406</b>
<b>Creditors - amounts falling due within one year</b>	12	<b>(4,586)</b>	<b>(3,683)</b>
<b>Net current assets</b>		<b>22,192</b>	<b>19,723</b>
<b>Total assets less current liabilities</b>		<b>22,901</b>	<b>20,407</b>
Post-employment benefits	13	-	-
Provisions for other liabilities	14	(571)	(591)
<b>Net assets</b>		<b>22,330</b>	<b>19,816</b>
<b>Capital and reserves</b>			
Called-up share capital	17	-	-
Capital reserve		7,652	7,652
Retained earnings		14,678	12,164
<b>Total equity</b>		<b>22,330</b>	<b>19,816</b>

The notes on pages 14 to 33 are an integral part of these financial statements.

The financial statements on pages 10 to 33 were authorised for issue by the board of directors on 22 July 2016 and were signed on its behalf



N Ince

**Director**

VG Systems Limited

Company registration number: 03153085

# VG SYSTEMS LIMITED

## Statement of changes in equity

		£'000	£'000	£'000	£'000
	Note	Called-up share capital	Capital reserve <sup>2</sup>	Retained earnings <sup>1</sup>	Total
Balance as at 1 January 2014	22	-	7,652	12,608	20,260
Loss for the financial year		-	-	(466)	(466)
Total comprehensive income for		-	-	(466)	(466)
Credit relating to equity-settled share-based payments	6	-	-	22	22
Total transactions with owners, recognised directly in equity		-	-	22	22
Balance as at 31 December 2014		-	7,652	12,164	19,816
Balance as at 1 January 2015		-	7,652	12,164	19,816
Profit for the financial year		-	-	2,643	2,643
Total comprehensive income for		-	-	2,643	2,643
Credit relating to equity-settled share-based payments	6	-	-	28	28
Charge from parent for equity- settled share-based payments	6	-	-	(154)	(154)
Total transactions with owners, recognised directly in equity		-	-	(126)	(126)
<b>Balance as at 31 December 2015</b>		<b>-</b>	<b>7,652</b>	<b>14,681</b>	<b>22,333</b>

<sup>1</sup> Retained earnings represents accumulated comprehensive income for the year and prior periods plus share-based payments adjustments and related tax credits, charges from the parent company for share-based payments less dividends paid.

<sup>2</sup> Capital reserve represents the capital contribution from the company's parent undertaking to acquire the assets and liabilities passed down from SID Instruments Inc, the parent company at the date of acquisition on 31 March 1996.

# **VG SYSTEMS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

### **1. General Information**

VG Systems Limited ('the company') manufactures and sells scientific equipment and systems. The company has a manufacturing plants in the UK and sells primarily to Europe and the rest of World.

#### **Statement of compliance**

The individual financial statements of VG Systems Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and the Companies Act 2006.

#### **Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The company has adopted FRS 102 in these financial statements. Details of the transition to FRS 102 are disclosed in note 22.

#### **Basis of preparation**

These financial statements have been prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of land and buildings and certain financial assets and liabilities measured at fair value through profit and loss account in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

#### **Exemptions for qualifying entities under FRS 102**

FRS 102 allows a qualifying entity certain disclosure exemptions.

##### *Cash flow statement and related party disclosures*

The company is included in the consolidated financial statements of Thermo Fisher Scientific Inc. which are publically available. Consequently, as the company is a 100% owned subsidiary, the company has taken advantage of the exemption, under FRS 102 paragraph 1.12(b), from preparing a statement of cash flows, on the basis that it is a qualifying entity and its ultimate parent company, Thermo Fisher Scientific Inc, includes the company's cash flows in its own consolidated financial statements. The company has taken advantage of the terms of FRS102.33.1A from disclosing related party transactions with entities that are part of the Thermo Fisher Scientific Inc. group (see note 21).

##### *Share-based payments*

The company has taken advantage of the exemption under FRS 102 para 26.16 where the company is a member of a group share-based payment arrangement and where the company's expense is based on a reasonable allocation.

#### **Foreign currency**

- (i) Functional and presentation currency

The company's functional and presentation currency is the pound sterling.

- (ii) Transactions and balances

Transactions in foreign currencies are translated into sterling at the exchange rate ruling at the date of the transaction.

# **VG SYSTEMS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

### **1. General Information (continued)**

#### **Foreign currency (continued)**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transactions is included as an exchange gain or loss in the profit and loss account except when deferred in other comprehensive income as qualifying cash flow hedges.

Non-monetary items measured at historical costs 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 that relate to borrowings and cash and cash equivalents are presented in the profit and loss account within 'Finance (expense) / income'. All other foreign exchange gains and losses are presented in the profit and loss account within 'Other operating (losses) / gains'.

#### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents the amount received for goods supplied and services rendered, net of returns, discounts and rebates allowed by the company and value added taxes.

Turnover for products which require installation for which the installation is essential to functionality or is not deemed inconsequential or perfunctory are recognised upon completion of installation. Turnover for products sold where installation is not essential to functionality and is deemed inconsequential or perfunctory are recognised upon shipment with estimated installation costs accrued. Turnover which has been billed but cannot yet be recognised is deferred.

Turnover on services rendered is recognised to the extent that contractual obligations to customers have been fulfilled.

An entity shall recognise revenue from the sale of goods when all the following conditions are satisfied:

- (a) the entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (b) the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) the amount of revenue can be measured reliably;
- (d) it is probable that the economic benefits associated with the transaction will flow to the entity; and
- (e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### **Interest income**

Interest income is recognised using the effective interest rate method.

#### **Exceptional items**

The company classifies certain one-off charges or credits that have a material impact on the company's financial results as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the company.

#### **Employee benefits**

The company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans.

- (i) Short term benefits

# **VG SYSTEMS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

### **1. General Information (continued)**

#### **Employee benefits (continued)**

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

##### **(ii) Defined contribution pension plans**

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs is the contribution payable in the year. Differences between contributions payable and actually paid are shown as either accruals or prepayments in the balance sheet.

#### **Annual bonus plan**

The company operates an annual bonus plan for employees. An expense is recognised in the profit and loss account when the company has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

#### **Share-based payments**

Where the company participates in a share-based payment arrangement established by a group company the company takes advantage of the alternative treatment allowed under Section 26 of FRS 102. The company recognises the share-based payment expense based on an allocation of its share of the group's total expense, calculated in proportion to the number of participating employees. The corresponding credit is recognised in retained earnings as a component of equity.

Where the company is charged for the cost of share-based payments arrangements the amounts are treated as a reduction in the capital contribution. If the amount charged is in excess of the share-based payment charge the company treats the excess as a notional distribution and charges this to retained earnings.

#### **Taxation**

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

##### **(i) Current tax**

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

##### **(ii) Deferred tax**

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.



# VG SYSTEMS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 1. General Information (continued)

#### Taxation (continued)

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

#### Tangible assets

Tangible fixed assets are stated at historic purchase cost, net of accumulated depreciation and any provision for impairment. Cost includes the original purchase price of the asset and costs attributable to bringing the asset into its working condition for its intended use.

##### *Fixtures, fittings and computer equipment*

Plant and machinery and fixtures, fittings, tools and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

##### *Depreciation and residual values*

The fixed assets have been depreciated on a straight line basis at rates calculated to reduce the net book value of each asset to its estimated residual value by the end of its expected useful economic life in the company's business, and the rates are as follows:

Leasehold improvements	- Over the life of the lease on a straight line basis
Fixtures, fittings and computer equipment	- 3 to 10 years

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

##### *Subsequent additions and major components*

Subsequent costs, including major inspections, are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the company and the cost can be measured reliably.

The carrying amount of any replaced component is derecognised. Major components are treated as a separate asset where they have significantly different patterns of consumption of economic benefits and are depreciated separately over its useful life.

Repairs, maintenance and minor inspection costs are expensed as incurred.

##### *Derecognition*

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss and included in 'Other operating (losses)/gains'.

#### Leased assets

##### *Operating leased assets*

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

##### *Lease incentives*

Incentives received to enter into an operating lease are credited to the profit and loss account, to reduce the lease expense, on a straight-line basis over the period of the lease.

# **VG SYSTEMS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

### **1. General Information (continued)**

#### **Leased assets (continued)**

The company has taken advantage of the exemption in respect of lease incentives on leases in existence on the date of transition to FRS 102 (1 January 2014) and continues to credit such lease incentives to the profit and loss account over the period to the first review date on which the rent is adjusted to market rates.

#### **Inventories**

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Inventories are recognised as an expense in the period in which the related revenue is recognised.

Cost is determined on the first-in, first-out (FIFO) method. Cost includes the purchase price, including taxes and duties and transport and handling directly attributable to bringing the inventory to its present location and condition. The cost of manufactured finished goods and work in progress includes design costs, raw materials, direct labour and other direct costs and related production overheads (based on normal operating capacity).

At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the profit and loss account. Where a reversal of the impairment is recognised the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the profit and loss account.

#### **Cash and cash equivalents**

Cash and cash equivalents includes cash in hand.

#### **Provisions and contingencies**

##### *Provisions*

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

In particular:

(i) Restructuring provisions are recognised when the company has a detailed, formal plan for the restructuring and has raised a valid expectation in those affected by either starting to implement the plan or announcing its main features to those affected and therefore has a legal or constructive obligation to carry out the restructuring; and

(ii) Provision is not made for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

# **VG SYSTEMS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

### **1. General Information (continued)**

#### **Provisions and contingencies (continued)**

##### **(iii) Warranty provision**

Included within the standard sales value of products supplied by the company are warranties covering a period of 12 months from the date of sale. Provision is made for the estimated costs expected to arise in respect of these warranty obligations.

#### *Contingencies*

Contingent liabilities are not recognised. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

#### **Financial instruments**

The company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

##### *Financial assets*

Basic financial assets, including trade & other receivables and cash & bank balances, 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.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publically traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

# **VG SYSTEMS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

### **1. General Information (continued)**

#### **Financial instruments (continued)**

##### *Financial liabilities*

Basic financial liabilities, including trade and other payables, and loans from fellow group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument 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.

The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

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

##### *Offsetting*

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### **Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### **Distributions to equity holders**

Dividends and other distributions to company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the company's shareholders. These amounts are recognised in the statement of changes in equity.

#### **Related party transactions**

The company discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with members of the same group that are wholly owned.

# **VG SYSTEMS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

### **2 Critical accounting judgements and estimation uncertainty**

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.

#### **(a) Critical judgements in applying the entity's accounting policies**

##### **(i) Share-based payments**

The company's employees have been granted share options by the ultimate parent company, VG Systems Limited. The company makes use of the exemption in Section 26 of FRS 102 to account for the expense based on a reasonable allocation of the parent company's total expense. The company has calculated its allocation of the parent company's total expense based on the number of participating employees in the company compared to the number of participating employees in the group.

The company also considered an allocation based on the relative remuneration cost of the relevant employees and considered that this gave rise to no significant differences in the allocated costs.

##### **(iii) Exemptions on transition to FRS 102**

The company has elected to use the previous UK GAAP valuation of certain items of land and buildings as the deemed cost on transition to FRS 102. The items are being depreciated from the date of transition (1 January 2014) in accordance with the company's accounting policies.

#### **(b) Critical accounting estimates and assumptions**

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

##### **(i) Useful economic lives of tangible assets**

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 9 for the carrying amount of the property plant and equipment, and note 1 for the useful economic lives for each class of assets.

##### **(ii) Inventory provisioning**

The company manufactures and sells scientific equipment and systems. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. See note 10 for the net carrying amount of the inventory and associated provision.

##### **(iii) Impairment of debtors**

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 11 for the net carrying amount of the debtors and associated impairment provision.

# VG SYSTEMS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 2 Critical accounting judgements and estimation uncertainty (continued)

#### (iv) Warranty provision

Included within the standard sales value of products supplied by the company are warranties covering a period of 12 months from the date of sale. Provision is made for the estimated costs expected to arise in respect of these warranty obligations.

### 3 Turnover

Turnover by geography	2015 £'000	2014 £'000
United Kingdom	598	709
Rest of Europe	3,084	2,922
Rest of World	14,343	13,567
	<b>18,025</b>	<b>17,198</b>
Turnover by nature	2015 £'000	2014 £'000
Sales of goods	15,790	15,685
Rendering of services	2,235	1,513
	<b>18,025</b>	<b>17,198</b>

# VG SYSTEMS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 4 Operating profit/(loss)

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

	Note	2015 £'000	2014 £'000
Wages and salaries		2,838	2,807
Social security costs		305	308
Other pension costs	13	230	224
Share-based payments	6	28	22
<b>Staff costs</b>		<b>3,401</b>	<b>3,361</b>
Restructuring expense		96	-
Impairment of trade receivables		14	201
Inventory recognised as an expense		9,116	10,228
Impairment of inventory (included in 'cost of sales')		1,349	1,149
Operating lease charges			
- Plant and machinery		26	35
- Other		297	198
Depreciation of tangible fixed assets			
- Owned assets		206	167
Foreign exchange loss/(gain)		65	61
Audit fees payable to the company's auditor		52	49
Research and development		1,273	1,337

### Exceptional cost of sales

During 2013 the company had a transaction with an overseas related entity, Thermo Fisher Scientific (China) Co Limited. An inadvertent human error was made upon accounting for this transaction. At the time of signing the 2013 financial statements the treatment was believed to be correct. As a result an adjustment was made to the profit and loss account for the prior year. The net impact was a £1,208,000 increase in cost of sales relating to the prior year which had been taken through the profit and loss account in the prior year.

# VG SYSTEMS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 5 Employees and directors

By activity	2015 Number	2014 Number
<b>Average monthly numbers of persons employed (including directors) by the company during the year was:</b>		
Sales and marketing	10	10
Manufacturing	32	32
Research and development	19	19
Administration	7	7
	<b>68</b>	<b>68</b>

#### Directors

Directors' emoluments represent an allocation of their services to this company. Directors' emoluments were borne by another group company, Thermo Electron (Management Services) Limited.

	2015 £'000	2014 £'000
Aggregate emoluments	9	8
Company contributions to defined contribution pension scheme	1	-
	<b>10</b>	<b>8</b>

Retirement benefits accrued to no directors (2014: no directors) under a defined benefit scheme. Retirement benefits accrued to 5 (2014: 3) directors under a money purchase pension scheme.

During the year 4 directors (2014: 3 directors) exercised options over shares of Thermo Fisher Scientific Inc.

In 2015 5 (2014: 3) directors were entitled to shares under a long-term incentive scheme.

Highest paid director	2015 £'000	2014 £'000
Total emoluments and amounts (excluding shares) receivable under long-term incentive schemes	4	3

The highest paid director exercised share options over shares in Thermo Fisher Scientific Inc. during 2015.



# VG SYSTEMS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 6 Share-based payments

Under the Employee Incentive Programme (EIP) options and Restricted Stock Units (RSUs) are granted to employees of this company in the shares of the ultimate parent company, Thermo Fisher Scientific Inc. Options are granted with a fixed exercise price equal to the market price of the shares under option at the date of the grant. Employees do not pay an exercise price for RSUs. The contractual life of an option is 7 years from the date of the grant. Historically, options are annually granted in February or March. Options and RSUs vest over three or four years from the grant date, with equal proportions being exercisable on each anniversary, subject to continued employment.

New options and RSUs were granted in 2014 and 2015 under the Thermo Fisher Scientific Inc. plan.

The company recognises an equity-settled share-based payment expense based on a reasonable allocation of the total charge for the group. This allocation is the total charge for the group prorated for the number of participating employees of the company.

On exercise of the shares by the employees, the company is charged the intrinsic value of the shares by Thermo Fisher Scientific Inc. Payments of £ 154,000 (2014: £nil) were recognised directly in equity.

Options were valued using the Black-Scholes option-pricing model. RSUs are valued at the market price at date of grant.

The fair value per option granted and the assumptions used in the calculation are as follows:

	2015		2014	
	Number (000)	Weighted average share price (£)	Number (000)	Weighted average share price (£)
Outstanding at 1 January	11	35.16	13	31.47
Granted	-	85.75	-	75.43
Forfeited	-	-	(1)	36.06
Exercised	(2)	41.41	(1)	37.46
Outstanding 31 December	9	40.13	11	35.16
Exercisable at 31 December	8	32.47	8	30.36

	2015		2014	
	Number (000)	Weighted average share price (£)	Number (000)	Weighted average share price (£)
Outstanding at 1 January	1	-	1	-
Granted	-	-	-	-
Outstanding 31 December	1	-	1	-
Exercisable at 31 December	-	-	-	-

# VG SYSTEMS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

Weighted average disclosures are those which are based on the options relating to all of the UK subsidiaries of the former ultimate parent Thermo Electron Corporation and are used as an approximation of the weighted average disclosures relevant to these financial statements.

The total charge for the year relating to employee share based payment plans was £ 28,000 (2014: £ 22,000) all of which related to equity-settled share based payment transactions. The cumulative charge included in reserves is £476,000 (2014: £448,000).

The total fair value of options and RSUs granted in the year was £47,000 (2014: £18,000). The amount included in amounts due to group undertakings falling due within one year is £nil (2014: £nil).

### 7 Interest receivable and similar income

	2015 £'000	2014 £'000
Bank interest receivable	130	79
Total interest income on financial assets not measured at fair value through profit or loss	130	79
Gains on derivative financial instruments	-	-
<b>Total interest receivable and similar income</b>	<b>130</b>	<b>79</b>

### 8 Income tax

#### Tax expense included in profit and loss:

	2015 £'000	2014 £'000
<b>Current tax</b>		
Total current tax	-	-
<b>Deferred tax</b>		
Origination and reversal of timing differences	34	(5)
Impact of changes in tax rates	22	-
Adjustment in respect of prior years	(53)	53
Total deferred tax (note 15)	3	48
<b>Tax on profit on ordinary activities</b>	<b>3</b>	<b>48</b>

# VG SYSTEMS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 8 Income tax (continued)

#### Tax expense included in other comprehensive income:

	2015 £'000	2014 £'000
Current tax	-	-
Deferred tax	-	-
<b>Total tax expense included in other comprehensive income</b>	<b>-</b>	<b>-</b>

#### Reconciliation of tax charge:

The tax assessed for the year is lower (2014: lower) than the standard rate of corporation tax in the UK 20.25% (2014: 21.50%). The differences are outlined below:

	2015 £'000	2014 £'000
<b>Profit on ordinary activities before taxation</b>	<b>2,647</b>	<b>(418)</b>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK 20.25% (2014: 21.5%)	<b>536</b>	<b>(90)</b>
<b>Effects of:</b>		
Expenses not deductible for tax purposes	<b>13</b>	<b>271</b>
Accelerated capital allowances and other timing differences	-	<b>1</b>
Impact of deferred tax rate change	<b>22</b>	-
Short-term timing differences	-	-
Tax relief for employee share acquisition	<b>(6)</b>	<b>(12)</b>
Group relief claimed for nil charge	<b>(505)</b>	<b>(175)</b>
Adjustments in respect of previous periods	<b>(53)</b>	<b>53</b>
Difference between current and deferred tax rates	<b>(4)</b>	-
<b>Tax charge for the year</b>	<b>3</b>	<b>48</b>

The standard rate of corporation tax in the UK changed from 21% to 20% with effect from 1 April 2015. Accordingly, the company's profits for this accounting period are taxed at an effective rate of 20.25%

Factors that may affect future tax charges:

Changes to the UK corporation tax rates were announced in the Chancellor's Budget on 8 July 2015. These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 18% from 1 April 2020. As the changes had not been substantively enacted at the balance sheet date their effects are not included in these statements.

# VG SYSTEMS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 9 Tangible assets

	Leasehold Improvements £'000	Fixtures, fittings and computer equipment £'000	Total £'000
<b>Cost</b>			
At 1 January 2015	713	839	1,552
Additions	151	80	231
<b>At 31 December 2015</b>	<b>864</b>	<b>919</b>	<b>1,783</b>
<b>Accumulated depreciation</b>			
At 1 January 2015	274	594	868
Charge for the year	137	69	206
Disposals	-	-	-
<b>At 31 December 2015</b>	<b>411</b>	<b>663</b>	<b>1,074</b>
<b>Net book value</b>			
<b>At 31 December 2015</b>	<b>453</b>	<b>256</b>	<b>709</b>
At 31 December 2014	439	245	684

### 10 Inventories

	2015 £'000	2014 £'000
Raw materials and consumables	2,106	1,813
Work in progress	1,055	828
Finished goods and goods for resale	1,526	1,078
	<b>4,687</b>	<b>3,719</b>

There is no significant difference between the replacement cost of work in progress and finished goods and goods for resale and their carrying amounts.

Inventories are stated after provisions for impairment of £1,349,000 (2014: £1,148,000).

# VG SYSTEMS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 11 Debtors

	2015 £'000	2014 £'000
Trade debtors	878	853
Amounts owed by group undertakings	2,263	2,170
Other debtors	121	273
Prepayments and accrued income	158	148
Deferred tax asset	166	169
	<b>3,586</b>	<b>3,613</b>

Trade debtors includes £nil (2014: £nil) falling due after more than one year.

Trade debtors are stated after provisions for impairment of £14,000 (2014: £201,000).

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

### 12 Creditors: amounts falling due within one year

	Note	2015 £'000	2014 £'000
Trade creditors		993	1,381
Amounts owed to group undertakings		1,473	392
Other creditors including taxation and social security		119	85
Accruals and deferred income		2,001	1,825
		<b>4,586</b>	<b>3,683</b>

The amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

### 13 Post-employment benefits

The company operates a defined contribution scheme. The pension cost charge for the year represents contributions payable by the company to the fund and amounted to £ 230,000 (2014: £ 224,000). The liability at the yearend for the contributions payable to the defined contribution scheme is £nil (2014: £nil).

# VG SYSTEMS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 14 Provisions for other liabilities

	Warranty provisions £'000	Dilapidations £'000	Onerous lease £'000	Total £'000
At 1 January 2015	213	242	136	591
Additions dealt with in profit and loss account	202	9	96	307
Utilised during the year	(153)	-	(174)	(327)
<b>At 31 December 2015</b>	<b>262</b>	<b>251</b>	<b>58</b>	<b>571</b>

A provision for warranty costs is recognised to cover the warranty period provided to customers and is calculated with reference to the average level of warranty claims received over recent history.

The dilapidation provision relates to the obligation to restore the property to its original state at the end of the lease which arises under the terms of the property leases for the company's sites. The provision is expected to be utilised over the next 12 months.

The onerous lease provision arose from the decision of the company to look to restructure its operations to generate cost and efficiency gains in future years. The provision is expected to be utilised over the next 12 months.

### 15 Deferred tax asset

	2015 £'000 <i>Provided</i>	2015 £'000 <i>Unprovided</i>	2014 £'000 <i>Provided</i>	2014 £'000 <i>Unprovided</i>
Accelerated capital	129	-	110	-
Other timing differences	37	(677)	59	(752)
<b>Deferred tax</b>	<b>166</b>	<b>(677)</b>	<b>169</b>	<b>(752)</b>

Unprovided deferred tax asset has not been recognised as this relates to capital losses brought forward which are not expected to be utilised in the foreseeable future.

Provision for deferred taxation	Deferred tax asset £'000
At 1 January 2015	169
Charge to profit and loss account	(3)
<b>At 31 December 2015</b>	<b>166</b>

The net deferred tax asset expected to reverse in 2016 is £166,000. This relates to the reversal of depreciation in excess of accelerated capital allowances and the reversal of timing differences.

# VG SYSTEMS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 15 Deferred tax asset (continued)

If deferred tax asset recognised this should be included in the debtors note and in brackets next to debtors on the face on the Balance Sheet.

The nature of the evidence supporting recognition of the DTA should be shown if recoverability is dependent on future taxable profits in excess of those arising from the reversal of deferred tax liabilities and there was a loss in either the current or preceding period in that tax jurisdiction.

If there is any unrecognised deferred tax asset this should be disclosed.

### 16 Financial Instruments

The company has the following financial instruments:

	Note	2015 £'000	2014 £'000
Financial assets that are debt instruments measured at amortised cost			
– Trade debtors		878	853
– Amounts owed by group undertakings	11	2,263	2,170
– Other debtors		287	442
		<b>3,428</b>	<b>3,465</b>
Financial liabilities measured at amortised cost			
– Trade creditors		993	1,381
– Amounts owed to group undertakings		1,473	392
– Other creditors		2,120	1,910
		<b>4,586</b>	<b>3,683</b>

#### Derivative financial instruments

The company has no interest rate derivative financial instruments (2014: none).

Interest on bank loans and overdrafts are disclosed in note 7.

### 17 Called up share capital

	2015 £	2014 £
Allotted and fully paid		
2 (2014: 2) ordinary shares of £1	2	2

# VG SYSTEMS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

### 18 Contingent assets and liabilities

The company is a participant in a group banking arrangement under which all surplus cash balances are held as collateral for bank facilities advanced to group members. No liability is expected to arise under this arrangement.

At 31 December 2015, the company had deferment bank guarantees in favour of HM Revenue and Customs of £ 4,000 (2014: £ 4,000).

The company receives a recharge from the ultimate parent in respect of share-based payment awards. This recharge is recorded in the financial statements when it is paid. The recharge is based on the exercise of awards by employees, so the timing and amount of the recharge for future years is reliant on uncertain future events, and the liability is therefore disclosed as contingent.

### 19 Capital and other commitments

The company had the following minimum lease payments under non-cancellable operating leases for each of the following periods:

	2015 £'000	2014 £'000
<b>Land and buildings</b>		
Within one year	297	297
Within two to five years	1,186	1,186
After five years	692	988
	<b>2,175</b>	<b>2,471</b>
<b>Plant and machinery and vehicles</b>		
Within one year	14	21
Within two to five years	25	37
After five years	-	2
	<b>39</b>	<b>60</b>

The company has no other off-balance sheet arrangements.

### 20 Related party transactions

See note 5 for disclosure of the directors' remuneration and key management compensation.

The company is exempt from disclosing other related party transactions as they are with other companies that are wholly owned within the Group.



# **VG SYSTEMS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**

### **21 Controlling parties**

The immediate parent undertaking is Thermo Optek Limited whose registered office is 3<sup>rd</sup> Floor, 1 Ashley Road, Altrincham, WA14 2DT.

The ultimate parent undertaking and controlling party is Thermo Fisher Scientific Inc. which is the largest and smallest group to consolidate these financial statements. The company is incorporated in the United States of America and its common stock is listed on the New York Stock Exchange. Copies of the financial statements of the ultimate parent company are publically available and can be obtained from its headquarters at 81 Wyman Street, Waltham, MA 02454, USA.

### **22 Transition to FRS 102**

This is the first year that the company has presented its results under FRS 102. The last financial statements under the UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 102 was 1 January 2014. There were no changes in accounting policies which resulted in a change to the profit for the financial year ended 31 December 2014 or the total equity as at 1 January 2014 and 31 December 2014 between UK GAAP as previously reported and FRS 102.