

VG Systems Limited

Annual report and financial statements for the year ended 31 December 2017

Company registration number: 03153085



VG SYSTEMS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

Contents	Page
Officers and Professional Advisers	3
Strategic Report for the Year Ended 31 December 2017	4
Directors' Report for the Year Ended 31 December 2017	7
Independent Auditors' report to the members of VG Systems Limited	10
Financial Statements for the Year Ended 31 December 2017:	
• Profit and Loss Account	13
• Statement of Comprehensive Income	14
• Balance Sheet	15
• Statement of Changes in Equity	16
Notes to the Financial Statements for the Year Ended 31 December 2017	17 to 35

VG SYSTEMS LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

Directors

L Grant
D Norman
N Ince

Company Secretary

Oakwood Company Secretary Limited
R Gregg

Registered office

3rd Floor
1 Ashley Road
Altrincham
Cheshire
WA14 2DT

Bankers

Barclays Bank
1 Churchill Place
London
E14 5HP

Solicitors

Addleshaw Goddard
1 St Peter's Square
Manchester
M2 3DE

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 2017

The directors present their strategic report on the company for the year ended 31 December 2017.

Review of the business and future developments

The directors are satisfied with the performance in the year as turnover growth continues to be strong which has helped deliver better gross and operating margins. The directors expect to see this growth continue into 2019, given improved market conditions.

Through 2017 the manufacturing operation in the East Grinstead site along with some supporting R&D roles have been transitioning to another group undertaking production facility located in Brno in the Czech Republic. It is expected that this process will be complete by the end of Q2 2018. East Grinstead will remain the global focus for the XPS instrumentation business with the product management, R&D focus and service remaining in the existing location.

The company continues to invest in research and development. This is expected to maintain and expand the company's firm positioning in the market. Research and development expenditure during the year was £1,709,000 (2016: £1,343,000).

Post balance sheet events

On 1 January 2018, the company adopted a new accounting policy for revenue recognition aligned to the requirements adopted under ASC 606. The adoption was enacted to align with the Thermo Fisher Scientific Inc. group policy.

The change is a non-adjusting event in the financial statements for the year ended 31 December 2017. The financial statements for the year ended 31 December 2018 will be restated for this change in policy. The impact to revenues for the year ended 31 December 2017 would have been an increase of £112,000.

Key performance indicators (KPI's)

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

Turnover has increased from £21,148,000 to £26,257,000 as a result of a stronger performance in the APAC region and North American regions, however Europe remains sluggish.

The Profit for the financial year was £3,621,000 (2016: £1,981,000) which will be transferred to reserves.

Cost of sales has increased at a proportionally lower rate than revenue resulting in an increase in gross profit margins to 41% (2016: 28%). This is due to improved margins on Research systems in part as result of increased factory activity.

Total operating margins increased in relation to sales to 20% (2016: 9%), which was in line with management expectations as a result of additional volumes.

Employee numbers reduced to 60 (2016: 66) in the year.

Net assets at 31 December 2017 were £27,518,000 (2016: £24,243,000).

VG SYSTEMS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

Principal risks and uncertainties

The management of the business is subject to a number of risks including commercial risk, price risk, credit risk, currency 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 outflows 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.

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.

VG SYSTEMS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

Principal risks and uncertainties (continued)

Brexit

On 23 June 2016 a referendum was held and the outcome of the vote determined that the United Kingdom would leave the European Union. The United Kingdom have announced they intend to leave the European Union on 29 March 2019. At the time of the signing of the statutory financial statements the details of how the United Kingdom will leave the European Union, and its affect on the financial markets, are unclear and as such it is not possible to estimate the impact of this event.

On behalf of the board



N Ince

Director

27 July 2018

VG SYSTEMS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

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

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 (2016: £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
D Norman
N Ince

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. Research and development costs during the year were £1,709,000 (2016: £1,343,000).

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 practical 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 2017

Statement of Directors' Responsibilities

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

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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 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.

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.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of 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.

VG SYSTEMS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

Independent Auditors

The independent 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

27 July 2018

VG SYSTEMS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VG SYSTEMS LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, VG Systems Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its Profit for the year then ended;
- have been properly prepared in accordance with 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 Balance Sheet as at 31 December 2017; the Profit and Loss Account, the Statement of Comprehensive Income, the Statement 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 company 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 when:

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the 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.

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.

VG SYSTEMS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VG SYSTEMS LIMITED

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 2017 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 company and its 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 Statement of Directors' Responsibilities on page 8, 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 company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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.

VG SYSTEMS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VG SYSTEMS LIMITED

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 financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Alex Crompton (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Uxbridge

30 July 2018

VG SYSTEMS LIMITED**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017****PROFIT AND LOSS ACCOUNT**

		<u>Year ended 31 December</u>	
	Note	2017 £'000	2016 £'000
Turnover	5	26,257	21,148
Cost of sales		(15,484)	(15,208)
Gross profit		10,773	5,940
Distribution costs		(2,243)	(1,930)
Administrative expenses		(3,798)	(2,034)
Restructuring costs		(1,124)	-
Operating profit	6	3,608	1,976
Profit before interest and taxation		3,608	1,976
Interest receivable and similar income	8	72	151
Net interest income	8	72	151
Profit before taxation		3,680	2,127
Tax on profit	9	(59)	(146)
Profit for the financial year		3,621	1,981

Results in the current and previous financial year are from continuing operations only.

VG SYSTEMS LIMITED**STATEMENT OF COMPREHENSIVE INCOME**

	<u>Year ended 31 December</u>	
	2017 £'000	2016 £'000
Profit for the financial year	3,621	1,981
Other comprehensive income:	—	—
Total comprehensive income for the year	3,621	1,981

VG SYSTEMS LIMITED**BALANCE SHEET**

		As at 31 December	
	Note	2017 £'000	2016 £'000
Fixed assets			
Tangible assets	11	349	639
		349	639
Current assets			
Inventories	12	4,873	4,480
Debtors	13	8,949	4,399
Cash at bank and in hand		21,039	20,638
		34,861	29,517
Creditors: amounts falling due within one year	14	(5,047)	(5,292)
Net current assets		29,814	24,225
Total assets less current liabilities		30,163	24,864
Provisions for liabilities	16	(2,645)	(621)
Net assets		27,518	24,243
Capital and reserves			
Called up share capital	19	—	—
Capital reserve		7,652	7,652
Retained earnings		19,866	16,591
Total equity		27,518	24,243

The notes on pages 17 to 35 are an integral part of these financial statements.

The financial statements on pages 13 to 35 were authorised for issue by the board of directors on 27 July 2018 and were signed on its behalf



N Ince

Director

VG Systems Limited

Company registration number: 03153085

VG SYSTEMS LIMITED

STATEMENT OF CHANGES IN EQUITY

	Note	£'000 Called-up share capital	£'000 Capital reserve ²	£'000 Retained earnings ¹	£'000 Total equity
Balance as at 1 January 2016		—	7,652	14,678	22,330
Profit for the financial year		—	—	1,981	1,981
Total comprehensive income for the year		—	—	1,981	1,981
Credit relating to equity-settled share-based payments	10	—	—	40	40
Charge from parent for equity-settled share-based payments	10	—	—	(108)	(108)
Total transactions with owners, recognised directly in equity		—	—	(68)	(68)
Balance as at 31 December 2016		—	7,652	16,591	24,243
Balance as at 1 January 2017		—	7,652	16,591	24,243
Profit for the financial year		—	—	3,621	3,621
Total comprehensive income for the year		—	—	3,621	3,621
Credit relating to equity-settled share-based payments	10	—	—	26	26
Charge from parent for equity-settled share-based payments	10	—	—	(372)	(372)
Total transactions with owners, recognised directly in equity		—	—	(346)	(346)
Balance as at 31 December 2017		—	7,652	19,866	27,518

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

² 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 2017

1. General Information

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

The company is a private company limited by shares and is incorporated in the United Kingdom and registered in England. The address of its registered office is 3rd Floor, 1 Ashley Road, Altrincham, Cheshire WA14 2DT.

2. 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 Republic of Ireland" ("FRS 102") and the Companies Act 2006, under the provision of the Large and Medium-size Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410).

3. 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.

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 4.

Going Concern

The company meets its day-to-day working capital requirements through its bank facilities. The current economic conditions continue to create uncertainty over (a) the level of demand for the company's products; and (b) the availability of bank finance for the foreseeable future. The company's forecasts and predictions, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current liabilities. After making enquiries, the directors have a reasonable expectation that the company has access to adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

VG SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

3. Summary of significant accounting policies (continued)

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 is also exempt under the terms of FRS 102 paragraph 33.1 from disclosing related party transactions with entities that are part of the Thermo Fisher Scientific Inc. group (see note 23).

Key Management Compensation

The company has taken advantage of the exemption under FRS 102 para 33.7 from disclosing its key management personnel compensation in total as this is disclosed in full in the consolidated group financial statements.

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 and disclosed in full in the consolidated group financial statements.

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.

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'.

VG SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

3. Summary of significant accounting policies (continued)

Turnover recognition

Turnover is measured at the fair value of the consideration received or receivable and represents the amount received for goods supplied or services rendered, net of returns, discounts and rebates allowed by the company and value added taxes. Turnover on services provided is recognised to the extent that contractual obligations to customers have been fulfilled.

Amounts in respect of service and/or warranty contracts where the company provides a service or has warranty obligations to customers over a period are deferred to the balance sheet and recognised as turnover on a straight-line basis over the period to which the contracts rule.

Amounts in respect of licensing agreements are deferred to the balance sheet and recognised as turnover on a straight-line basis over the period to which the agreement related.

The company bases its estimate of returns on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Where the consideration receivable in cash or cash equivalents is deferred, and the arrangement constitutes a financing transaction, the fair value of the consideration is measured as the present value of all future receipts using the imputed rate of interest.

The company recognises turnover 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 Turnover 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.

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

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.

VG SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

3. Summary of significant accounting policies (continued)

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.

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.

VG SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

3. Summary of significant accounting policies (continued)

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.

Plant and machinery and fixtures, fittings, tools and 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'.

Finance 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.

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.

VG SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

3. Summary of significant accounting policies (continued)

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 Turnover is recognised.

The company uses a local standard costing method to determine cost. 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 and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

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.

(iii) 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.

(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.

VG SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

3. Summary of significant accounting policies (continued)

Provisions and contingencies (continued)

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 and other receivables, cash and bank balances and investments in commercial paper, 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.

Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, 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.

VG SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

3. Summary of significant accounting policies (continued)

Financial instruments (continued)

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 recognised 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.

4. 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 of 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.

(ii) 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.

VG SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

4. Critical accounting judgements and estimation uncertainty (continued)

(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 11 for the carrying amount of the property plant and equipment, and note 3 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 sale ability of finished goods and future usage of raw materials. See note 12 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 13 for the net carrying amount of the debtors and associated impairment provision.

(iv) Warranty provision

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

5. Turnover

Turnover by geography	2017 £'000	2016 £'000
United Kingdom	442	173
Rest of Europe	2,433	2,961
Rest of World	23,382	18,014
	26,257	21,148
Turnover by nature	2017 £'000	2016 £'000
Sales of goods	24,680	19,187
Rendering of services	1,577	1,961
	26,257	21,148

VG SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

6. Operating profit

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

	Note	2017 £'000	2016 £'000
Wages and salaries		2,160	2,334
Social security costs		391	415
Other pension costs	15	231	239
Share-based payments	10	26	40
Staff costs		2,808	3,028
Impairment of trade debtors		48	82
Inventory recognised as an expense		11,858	10,813
Impairment of inventory (included in 'cost of sales')		119	168
Operating lease charges			
- Plant and machinery		16	16
- Other		297	297
Depreciation of tangible assets			
- Owned assets		300	290
Foreign exchange (gain) / loss		(103)	494
Audit fees payable to the company's auditors		49	51
Research and development expenditure		1,709	1,343

7. Employees and directors

By activity	2017 Number	2016 Number
Average monthly numbers of persons employed (including directors) by the company during the year was:		
Sales and marketing	8	9
Manufacturing	29	31
Research and development	17	19
Administration	6	7
	60	66

VG SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

7. Employees and directors (continued)

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.

	2017 £'000	2016 £'000
Aggregate emoluments	5	4
Company contributions to defined contribution pension scheme	—	—
	5	4

Retirement benefits accrued to no directors (2016: no directors) under a defined benefit scheme. Retirement benefits accrued to 3 (2016: 3) directors under a money purchase pension scheme.

During the year 2 directors (2016: 3 directors) exercised options over shares of Thermo Fisher Scientific Inc.

In 2017 3 (2016: 3) directors were entitled to shares under a long-term incentive scheme.

Highest paid director	2017 £'000	2016 £'000
Total emoluments and amounts (excluding shares) receivable under long-term incentive schemes	2	2

The highest paid director exercised share options over shares in Thermo Fisher Scientific Inc. during 2017.

8. Net interest income

Interest receivable and similar income	2017 £'000	2016 £'000
Bank interest receivable	72	151
Total interest income on financial assets not measured at fair value through profit or loss	72	151
Gains on derivative financial instruments	—	—
Total interest receivable and similar income	72	151

VG SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

9. Tax on profit

Tax expense included in profit and loss

	Note	2017 £'000	2016 £'000
Current tax			
UK corporation tax on profits for the year		134	107
Adjustment in respect of previous periods		28	114
Total current tax		162	221
Deferred tax			
Origination and reversal of timing differences		(101)	(25)
Impact of changes in tax rates		12	17
Adjustments in respect of previous periods		(14)	(67)
Total deferred tax	17	(103)	(75)
Tax on profit		59	146

Reconciliation of tax charge:

The tax assessed for the year is lower (2016: lower) than the standard rate of corporation tax in the UK 19.25% (2016: 20.00%). The differences are outlined below:

	2017 £'000	2016 £'000
Profit on ordinary activities before taxation	3,680	2,127
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK 19.25% (2016: 20%)	708	425
Effects of:		
Expenses not deductible for tax purposes	15	17
Impact of deferred tax rate change	12	17
Group relief claimed for nil charge	(448)	(106)
Tax relief for employee share acquisition	(31)	(58)
Patent box deduction	(237)	(173)
R & D tax relief	26	(23)
Adjustments in respect of previous periods	14	47
Total tax charge for the year	59	146

The standard rate of corporation tax in the UK changed from 20% to 19% with effect from 1 April 2017. Accordingly, the company's profit for this accounting year are taxed at an effective rate of 19.25%.

VG SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

9. Tax on profit (continued)

Factors that may affect future tax charges:

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2015 (on 26 October 2016) and Finance Bill 2016 (on 7 September). The change announced is to reduce the main rate to 17% from 1 April 2020. Changes to reduce the UK corporation tax rate to 19% from 1 April 2017 and to 18% from 1 April 2020 had already been substantively enacted on 26 October 2015.

10. Share-based payments

Under the 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 2016 and 2017 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. Charges of £372,000 (2016: £108,000) 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:

Reconciliation of options movement	2017		2016	
	Number (000)	Weighted average share price (£)	Number (000)	Weighted average share price (£)
Outstanding at 1 January	6	68.93	9	40.13
Granted	—	126.72	1	95.78
Exercised	(2)	59.41	(4)	33.74
Outstanding 31 December	4	80.77	6	68.93
Exercisable at 31 December	3	60.32	4	49.51

VG SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

10. Share-based payments (continued)

Reconciliation of RSU movements	2017		2016	
	Number (000)	Weighted average share price (£)	Number (000)	Weighted average share price (£)
Outstanding at 1 January	1	—	1	—
Granted	—	—	—	—
Exercised	(1)	—	—	—
Outstanding 31 December	—	—	1	—

Weighted average disclosures are those which are based on the options relating to all of the UK subsidiaries of the 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 £26,000 (2016: £40,000) all of which related to equity-settled share based payment transactions. The cumulative charge included in reserves is £542,000 (2016: £516,000).

The total fair value of options and RSUs granted in the year was £8,000 (2016: £61,000). The amount included in amounts due to group undertakings falling due within one year is £nil (2016: £nil).

VG SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

11. Tangible assets

	Leasehold improve- ments £'000	Fixtures, fittings and computer equipment £'000	Total £'000
Cost			
At 1 January 2017	1,084	919	2,003
Additions	—	17	17
Disposals	—	(20)	(20)
At 31 December 2017	1,084	916	2,000
Accumulated depreciation			
At 1 January 2017	619	745	1,364
Charge for the year	231	69	300
Disposals	—	(13)	(13)
At 31 December 2017	850	801	1,651
Net book value			
At 31 December 2017	234	115	349
At 31 December 2016	465	174	639

12. Inventories

	2017 £'000	2016 £'000
Raw materials and consumables	2,378	2,008
Work in progress	1,221	1,410
Finished goods and goods for resale	1,274	1,062
	4,873	4,480

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 £2,072,000 (2016: £1,713,000).

VG SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

13. Debtors

	2017 £'000	2016 £'000
Trade debtors	2,381	1,197
Amounts owed by group undertakings	5,841	2,444
Other debtors	214	231
Deferred tax asset	347	244
Prepayments and accrued income	166	283
	8,949	4,399

Debtors includes £nil (2016: £nil) falling due after more than one year.

Trade debtors are stated after provisions for impairment of £48,000 (2016: £82,000).

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

14. Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Trade creditors	1,624	1,774
Amounts owed to group undertakings	894	1,166
Other creditors including taxation and social security	84	128
Accruals and deferred income	2,445	2,224
	5,047	5,292

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

15. 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 £231,000 (2016: £239,000). The liability / prepayment at the year end for the contributions payable to the defined contribution scheme is £nil (2016: £nil).

VG SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

16. Provisions for other liabilities

	Warranty £'000	Dilapidations £'000	Onerous lease £'000	Restructuring £'000	Total £'000
At 1 January 2017	332	251	38	—	621
Additions dealt with in profit and loss account	222	97	791	1,112	2,222
Utilised during the year	(147)	—	(38)	(13)	(198)
At 31 December 2017	407	348	791	1,099	2,645

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 relates to the decision to vacate 50% of the East Grinstead office. The decision was made in the year end 31 December 2017 and accounts for the costs up to the expected end of the lease period.

The restructuring provision arose from the decision of the company to restructure its operations & R&D functions in 2017 to generate cost and efficiency gains in future years. The provision is expected to be utilised over the next 18 months.

17. Deferred tax asset

	2017 £'000 Provided	2017 £'000 Unprovided	2016 £'000 Provided	2016 £'000 Unprovided
Accelerated capital allowances	272	—	230	—
Other timing differences	75	(639)	14	(639)
Deferred tax asset / (liability)	347	(639)	244	(639)

Provision for deferred taxation	Deferred tax asset £'000
At 1 January 2017	244
Charge to profit and loss account	89
Adjustment in respect of prior years	14
At 31 December 2017	347

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.

The net deferred tax asset is expected to reverse after 12 months. 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 2017

18. Financial Instruments

The company has the following financial instruments:

	Note	2017 £'000	2016 £'000
Financial assets that are debt instruments measured at amortised cost			
– Trade debtors		2,381	1,197
– Amounts owed by group undertakings	13	5,841	2,444
– Other debtors		214	231
		8,436	3,872
Financial liabilities measured at amortised cost			
– Trade creditors		1,624	1,774
– Amounts owed to group undertakings	14	894	1,166
– Other creditors		2,445	2,224
		4,963	5,164

Derivative financial instruments

The company has no interest rate derivative financial instruments (2016: none).

Interest on bank loans and overdrafts are disclosed in note 8.

19. Called up share capital

	2017 £	2016 £
Allotted and fully paid		
2 (2016: 2) ordinary shares of £1	2	2

20. 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 2017, the company had deferment bank guarantees in favour of HM Revenue and Customs of £4,000 (2016: £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.

VG SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

21. Capital and other commitments

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

	2017 £'000	2016 £'000
Land and buildings		
Within one year	297	297
Within two to five years	1,186	1,188
After five years	99	393
	1,582	1,878
Plant and machinery and vehicles		
Within one year	16	—
Within two to five years	—	58
	16	58

The company has no other off-balance sheet arrangements.

22. Related party transactions

See note 7 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.

23. Controlling parties

The immediate parent undertaking is Thermo Optek Limited whose registered office is 3rd Floor, 1 Ashley Road, Altrincham, Cheshire 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 168 Third Avenue, Waltham, MA 02451, USA.

24. Events after the end of the reporting period

On 1 January 2018, the company adopted a new accounting policy for revenue recognition aligned to the requirements adopted under ASC 606. The adoption was enacted to align with the Thermo Fisher Scientific Inc. group policy.

The change is a non-adjusting event in the financial statements for the year ended 31 December 2017. The financial statements for the year ended 31 December 2018 will be restated for this change in policy. The impact to revenues for the year ended 31 December 2017 would have been an increase of £112,000.