

Remote Diagnostic Technologies Limited

Report and Financial Statements for the

10 Month Period Ended

31st December 2018

Company Number 3321782

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Remote Diagnostic Technologies Limited

Company Information

Directors	L H Best G Tranter P Mitchell
Company secretary	L H Best
Registered number	3321782
Registered office	Philips Centre Guildford Business Park Guildford Surrey GU2 8XG United Kingdom
Independent auditors	PricewaterhouseCoopers LLP 3 Forbury Place 23 Forbury Road Reading Berkshire RG1 3JH

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Remote Diagnostic Technologies Limited

Strategic Report For the 10 Month Period Ended 31st December 2018

Introduction

The directors present their strategic report together with the audited financial statements for the 10 month period ended 31st December 2018.

The company was wholly acquired by Koninklijke Philips N.V. ("KPNV") on 6th June 2018. As a result, the financial year end has been aligned with its parent being 31st December 2018. The current reporting period is therefore a 10 month period, whilst the comparative reporting period is a 12 month period.

Furthermore, on 31st December 2018, Philips Holdings USA acquired 100% of the share capital of Remote Diagnostic Technologies LLC, a direct wholly owned subsidiary of Remote Diagnostic Technologies Limited.

References to Philips

References to Philips or the Philips group, relate to KPNV and its subsidiaries, as the context requires.

Strategy

Founded in 1997 Remote Diagnostic Technologies Limited (RDT) are recognised as leaders in the design and manufacture of pre-hospital care vital signs monitors.

RDT's robust communications technology enables the simultaneous transmission of medical data, voice and video from remote and otherwise isolated locations – including in-flight and at sea – to land-based medical experts.

The company is a wholly owned subsidiary of KPNV and the company's strategic direction is driven by the Philips' group mission and vision.

The group's vision is to make the world healthier and more sustainable through innovation. Our goal is to improve the lives of 3 billion people a year by 2025.

We execute our strategy through the use of the Philips Business System ("PBS") which is designed to help us deliver on our mission and vision – and to ensure that success is repeatable.

The Philips group strategy is detailed further in the KPNV Annual Report 2018 available at www.results.philips.com.

Business review

The company is domiciled in England & Wales in the United Kingdom and carries out principal activity of Healthcare and is supported by a research and development function. On 31 December 2018, RDT Limited disposed of its 100% owned subsidiary, Remote Diagnostic Technologies LLC, however, results include those of the subsidiary up until the disposal date.

Turnover for the 10 month period reduced by £3,983,000 compared to the comparative 12 month period to £13,581,000. This was mainly due to the current period being a shortened reporting period.

In November 2017, we launched our Tempus ALS system which is expected to be a key driver of growth over the coming years, together with the launch of Intellispace Corsium in 2019.

The gross profit margin was in line with the prior year at 57.2% (12 months to 28 February 2018: 57.6%). Administrative expenses increased by £5,227,000 to £14,669,000 in the 10 month period from £9,442,000 in the 12 month period to 28 February 2018. This is largely due to a change in accounting estimate of the Useful Economic Life of intangibles leading to an increase in amortisation of £3,325,000 and a share option charge as a result of the acquisition by KPNV of £2,886,000.

Remote Diagnostic Technologies Limited

Strategic Report (continued) For the 10 Month Period Ended 31st December 2018

Operating losses of £6,224,000, which include the exceptional items disclosed above, have been recorded (12 months to 28 February 2018: operating profit of £1,069,000). The performance for the 10 month period is in line with the expectations of the directors.

Net assets in the company at 31st December 2018 totalled £15,915,000 (28 February 2018: £19,069,000). Net current assets amounted to £6,510,000, an increase of £1,384,000 (28 February 2018: £5,126,000).

Principal risks and uncertainties

The company operates a co-ordinated set of risk management and control systems to help anticipate, monitor and manage its exposure to risk. The company's risk management and control systems are aligned and integrated with the systems of its ultimate parent undertaking, KPNV and the Philips group. Philips' risk management focuses on the following risk categories: Strategic, Operational, Compliance and Financial risks. Risk management forms an integral part of the business planning and review cycle. The company's risk and control policy is designed to provide reasonable assurance that objectives are met by integrating management control into the daily operations, by ensuring compliance with legal requirements and by safeguarding the integrity of the company's financial reporting and its related disclosures. It makes management responsible for identifying the critical business risks and for the implementation of fit for purpose risk responses. Philips' risk management approach is embedded in the areas of corporate governance, Philips Business Control Framework and Philips General Business Principles. These are described in further detail in the KPNV Annual Report 2018 (pages 50 – 59).

Key performance indicators

The Company measures its performance on a number of key performance indicators, including turnover, gross profit and operating profit as discussed above.

Future developments

The group and company will continue to be actively involved in delivering the Philips group mission and vision in future periods. The directors expect future developments and activities that are consistent with the Philips group strategic focus as set out in the KPNV Annual Report. Over the coming years, the company will continue to develop new growth initiatives, drive operational excellence and invest in innovation and sales development. The directors will continue to focus on improving profitability, e.g. by further reducing overhead costs and driving value engineering through the group's "Design for Excellence" program and will further embed the PBS to ensure that business success is repeatable.

RDT is continuing to win good business, develop innovative remote technologies and invest further in sales and operations, whilst carefully managing its working capital.

On behalf of the board



G Tranter
Director
July 2019

Remote Diagnostic Technologies Limited

Directors' Report For the 10 Month Period Ended 31st December 2018

The directors present their report and the audited financial statements for the 10 month period ended 31st December 2018.

Results and dividends

The loss for the 10 month financial period, after taxation, amounted to £7,675,000 (profit for 12 months to 28th February 2018: £1,308,000).

No dividends were paid during the current or prior year.

Directors

The directors of the Company who were in office during the period and up to the date of signing the financial statements were:

G F Murphy (resigned 23rd April 2019)
D A Murphy (resigned 6th June 2018)
C Murphy (resigned 6th June 2018)
N H de Coninck-Smith (resigned 6th June 2018)
P J Mitchell (resigned 6th June 2018, appointed 23rd April 2019)
L H Best (appointed 6th June 2018)
G Tranter (appointed 6th June 2018)

Future developments

An indication of the likely future developments of the company are provided in the strategic report.

Financial risk management

Please refer to the principal risks and uncertainties section of the Strategic Report for the Group and Company's financial risk management policies.

Statement of directors' responsibilities in respect of the financial statements

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 period. 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 group and the company and of the profit or loss of the group 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 group and the company will continue in business.

Remote Diagnostic Technologies Limited

Directors' Report (continued) For the 10 Month Period Ended 31st December 2018

The directors are also responsible for safeguarding the assets of the group and 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 group and the company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Disclosure of information to auditors

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

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

Events after the reporting period

There have been no significant events affecting the group and the Company since the year end.

Independent auditors

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

On behalf of the board



G Tranter
Director
12th July 2019

Remote Diagnostic Technologies Limited

Independent Auditors' report to the members of Remote Diagnostic Technologies Limited

Report on the audit of the financial statements

Opinion

In our opinion, Remote Diagnostic Technologies Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2018 and of the group's loss for the 10 month period (the "period") 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 Report and Financial Statements (the "Annual Report"), which comprise: the Consolidated and Company Balance Sheet as at 31 December 2018, the Consolidated Statement of Comprehensive income, the Consolidated Statement of Changes in Equity, and the Company Statement of Changes in Equity for the 10 month period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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 group's and company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

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. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Remote Diagnostic Technologies Limited

Independent Auditors' report to the members of Remote Diagnostic Technologies Limited (continued)

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.

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 period ended 31 December 2018 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 Directors' Responsibilities Statement set out on page 6, 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.

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Independent Auditors' report to the members of Remote Diagnostic Technologies Limited (continued)

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.

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.

Miles Saunders

Miles Saunders (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading

~~12th July 2019~~

4 SEPTEMBER 2019

Remote Diagnostic Technologies Limited

Consolidated Statement of Comprehensive Income For the 10 Month Period Ended 31st December 2018

	Note	10 months to 31 December 2018 £'000	12 months to 28 February 2018 Restated £'000
Turnover	5	13,581	17,564
Cost of sales		(5,808)	(7,442)
Gross profit		7,773	10,122
Administrative expenses		(14,669)	(9,442)
Other operating income	6	672	389
Operating (loss) / profit	7	(6,224)	1,069
Gain on disposal of subsidiary	15	213	-
Interest payable and similar expenses	11	(35)	(66)
(Loss) / profit before taxation		(6,046)	1,003
Tax on (loss) / profit	12	(1,629)	305
(Loss) / profit for the financial period		(7,675)	1,308
Foreign exchange difference on translation of subsidiary		82	(88)
Other comprehensive income / (expense) for the financial period		82	(88)
Total comprehensive (expense) / income for the financial period		(7,593)	1,220
Attributable to:			
Owners of the parent Company-		(7,593)	1,220

The comparative amounts relate to a 12 month period, whereas the current period relates to a 10 month period.

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the Company Statement of Comprehensive Income. The loss for the Company for the 10 months to 31st December 2018 was £6,806,000 (profit for 12 months to 28 February 2018: £1,196,000).

Remote Diagnostic Technologies Limited

Consolidated and Company Balance Sheet As at 31 December 2018

	Note	Group & Company at 31 st December 2018 £'000	Group at 28 th February 2018 £'000	Company at 28 th February 2018 £'000
Fixed assets				
Intangible assets	13	11,982	14,132	14,132
Tangible assets	14	409	942	942
Investments	15	-	-	-
Deferred Tax Assets	25	-	306	306
		12,391	15,380	15,380
Current assets				
Stocks	16	4,058	2,935	2,935
Debtors	17	7,577	3,929	3,925
Cash and cash equivalents	18	1,222	3,962	3,870
		12,857	10,826	10,730
Creditors: amounts falling due within one year	19	(6,347)	(4,913)	(5,604)
Net current assets		6,510	5,913	5,126
Total assets less current liabilities		18,901	21,293	20,506
Creditors: amounts falling due after more than one year	20	(924)	(1,297)	(1,297)
Provisions for other liabilities	21	(149)	(140)	(140)
Deferred taxation liabilities	25	(1,913)	-	-
Net assets		15,915	19,856	19,069
Capital and reserves				
Called up share capital	26	-	-	-
Share premium account		8,434	8,162	8,162
Capital redemption reserve		206	206	206
Other reserves		494	-	-
Reserves – share options	27	2,886	-	-
Foreign exchange reserve		-	75	-
Profit and loss account		3,895	11,413	10,701
Total equity		15,915	19,856	19,069

The financial statements on pages 11 to 36 were approved and authorised for issue by the board of Directors and were signed on its behalf on 15th July 2019. The notes on pages 15 to 36 form part of these financial statements.



G Tranter
Director

Remote Diagnostic Technologies Limited

Consolidated Statement of Changes in Equity For the 10 Month Period Ended 31st December 2018

	Called up share Capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other reserves £'000	Reserve – share options £'000	Foreign exchange reserve £'000	Profit & Loss account £'000	Total equity £'000
At 1 March 2017	-	8,162	206	-	-	163	10,106	18,637
Comprehensive income								
Profit for the financial year	-	-	-	-	-	-	1,308	1,308
Exchange movements taken to reserves	-	-	-	-	-	(88)	-	(88)
Total comprehensive income for the financial year	-	-	-	-	-	(88)	1,308	1,220
Balance at 28 February 2018	-	8,162	206	-	-	75	11,413	19,856
Comprehensive income								
Loss for the financial period	-	-	-	-	-	-	(7,765)	(7,765)
Exchange movements taken to reserves	-	-	-	-	-	82	-	82
Total comprehensive loss for the financial period	-	-	-	-	-	82	(7,675)	(7,593)
Share option expense	-	-	-	-	2,886	-	-	2,886
Group capital investment	-	-	-	494	-	-	-	494
Share issue	-	272	-	-	-	-	-	272
Exchange movements taken to reserve	-	-	-	-	-	(157)	157	-
At 31 December 2018	-	8,434	206	494	2,886	-	3,895	15,915

Remote Diagnostic Technologies Limited

Company Statement of Changes in Equity For the 10 Month Period Ended 31st December 2018

	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Other reserves £'000	Reserve – share options £'000	Profit and loss account £'000	Total equity £'000
At 1 March 2017	-	8,162	206	-	-	9,505	17,873
Comprehensive income							
Profit for the financial year	-	-	-	-	-	1,196	1,196
Total comprehensive income for the financial year	-	-	-	-	-	1,196	1,196
Balance at 28 February 2018	-	8,162	206	-	-	10,701	19,069
Comprehensive income							
Loss for the financial period	-	-	-	-	-	(6,806)	(6,806)
Total comprehensive loss for the financial period	-	-	-	-	-	(6,806)	(6,806)
Share option expense	-	-	-	-	2,886	-	2,886
Group capital investment	-	-	-	494	-	-	494
Share issue	-	272	-	-	-	-	272
At 31 December 2018	-	8,434	206	494	2,886	3,895	15,915

Remote Diagnostic Technologies Limited

Notes to the Financial Statements For the 10 Month Period Ended 31st December 2018

1. General information

Remote Diagnostic Technologies Limited ("the Company") designs and manufactures pre-hospital care vital signs monitors.

On 6th June 2018, Philips Healthcare acquired 100% of the share capital of Remote Diagnostic Limited and obtained control of the Company.

Furthermore, on 31st December 2018, Philips Holdings USA acquired 100% of the share capital of Remote Diagnostic Technologies LLC, a direct wholly owned subsidiary of Remote Diagnostic Technologies Limited. Therefore the results of the subsidiary have been included in the consolidated statement of comprehensive income up until 31st December 2018. The gain on disposal has been recognised as the difference between the fair value of the consideration received and the proportion of the identifiable net assets (including goodwill) of Remote Diagnostic Technologies LLC.

As a result of the acquisition of the Company by Philips Healthcare, the financial year-end of the Group has been changed to 31st December from 28th February. This is the first set of financial statements prepared using the new reporting date of 31st December, and as such, the current period figures relate to a reduced accounting period of 10 months covering 1st March 2018 to 31st December 2018. Therefore, the comparative amounts presented in these financial statements and related notes are not comparable as they relate to a 12 month period covering 1st March 2017 to 28th February 2018.

The Company is a private company limited by shares and is incorporated and domiciled in England & Wales in the United Kingdom. The address of its registered office is Philips Centre, Guildford Business Park, Guildford, Surrey, GU2 8XG.

2. Statement of compliance

The Company financial statements of Remote Diagnostic Technologies 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.

3. Summary of significant accounting policies

3.1 Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention. The accounting policies have been applied consistently, other than where new policies have been adopted.

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 judgment in the process of applying the Company 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.

The Company has taken advantage of the exemption in section 408 of the Companies Act from disclosing its individual Statement of Comprehensive Income.

The Cost of Sales, and Administration costs for the Prior Year, have been amended in order to allow a fairer presentation of the results period on period, reflecting the re-classification of £954,000 of Administration Costs as Cost of Sales.

Remote Diagnostic Technologies Limited

Notes to the Financial Statements For the 10 Month Period Ended 31st December 2018

2. Summary of significant accounting policies (continued)

3.2 Exemptions for qualifying entities under FRS 102.

FRS 102 allows a qualifying entity certain disclosure exemption, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the Company's shareholders.

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102:

- preparing a statement of cash flows;
- disclosure of key management personnel compensation;
- preparing certain financial instrument disclosures; and
- preparing certain share-based compensation disclosures.

The Company has taken advantage of these exemptions on the basis that it meets the definition of a qualifying entity and its ultimate parent undertaking, KPNV, includes the related disclosures in its own consolidated financial statements. Details of where those financial statements may be obtained can be found in note 31.

Other than the exemptions taken above, the Company has applied the recognition, measurement and disclosure requirements of FRS 102.

3.3 Basis of consolidation

The Company is a wholly owned subsidiary of Koninklijke Philips N.V. ("KPNV"), a company incorporated in the Netherlands. It is included in the consolidated financial statements of KPNV, which are publicly available.

However, the consolidated statement of comprehensive income included presents the consolidated results of the Group, which was in existence until 31st December 2018, and therefore includes the results up until that date. Intercompany transactions and balances between group companies are therefore eliminated in full.

3.4 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts.

Revenue is recognised on fulfilment of a customer's order and typically on despatch of goods, unless there are specific terms regarding delivery to the customer site.

3.5 Research and development

Research expenditure is written off to the Consolidated Statement of Comprehensive Income in the year in which it is incurred. Development expenditure is written off in the same way unless the directors are satisfied as to the technical, commercial, and financial viability of the individual projects. In this situation, the expenditure is deferred and amortised over the period during which the company is expected to benefit.

The estimated useful life for development expenditure has been changed during the current accounting period from 10 years, to 5 years. The change was enacted on the acquisition date of the business by KPNV. The directors deem 5 years to be a more reliable estimate of the period during which the company is expected to benefit and is in line with KPNV accounting estimates.

The effect of this change in accounting estimate has been included in the Consolidated Statement of Comprehensive Income for the current period.

Remote Diagnostic Technologies Limited

Notes to the Financial Statements For the 10 Month Period Ended 31st December 2018

3. Summary of significant accounting policies (continued)

3.6 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Plant and machinery	3 – 5 years straight line
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3.7 Software

Software is stated at cost, as intangible assets, less accumulated amortisation and any accumulated impairment losses. Amortisation is charged to allocate the cost of intangibles less their residual values over their estimated useful lives on the following bases:

Software	3 – 5 years straight line
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3.8 Operating leases: lessee

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Rentals under operating leases are charged to the Consolidated Statement of Comprehensive Income on a straight-line basis over the lease term.

3.9 Investments

Investments in subsidiaries are measured at cost less accumulated impairment losses.

3.10 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Stocks 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.

Stock also includes demonstration units that have been capitalised but not linked to a project.

3.11 Debtors

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

3.12 Cash and cash equivalents

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

Remote Diagnostic Technologies Limited

Notes to the Financial Statements For the 10 Month Period Ended 31st December 2018

3. Summary of significant accounting policies (continued)

3.13 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated Statement of Comprehensive Income. For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the Balance Sheet date.

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

3.14 Creditors

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

3.15 Foreign currency translation

Functional and presentational currency

The Company's functional and presentational currency is Pound Sterling.

Company financial statements are presented in pound sterling and rounded to thousands.

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

Remote Diagnostic Technologies Limited

Notes to the Financial Statements For the 10 Month Period Ended 31st December 2018

3. Summary of significant accounting policies (continued)

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

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit and loss account within 'finance income or costs'. All other foreign exchange gains and losses are presented in the profit and loss account.

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

3.16 Finance costs

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

3.17 Leased assets: lessee

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Leases of assets that transfer substantially all the risks and reward incidental to ownership are classified as finance leases. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Consolidated Statement of Comprehensive Income on a straight-line basis.

3.18 Pensions

The Company contributes to personal pension plans of certain employees as agreed in their contract of employment under defined contribution arrangements.

The contributions are recognised as an expense in the Consolidated Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet.

Remote Diagnostic Technologies Limited

Notes to the Financial Statements For the 10 Month Period Ended 31st December 2018

3. Summary of significant accounting policies (continued)

3.19 Interest income

Interest income is recognised in the Consolidated Statement of Comprehensive Income using the effective interest method.

3.20 Borrowing costs

All borrowing costs are recognised in the Consolidated Statement of Comprehensive Income in the year in which they are incurred.

3.21 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date in the countries where the Company operates and generates income.

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

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

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

3.22 Grants received

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to capital expenditure are credited to the Consolidated Statement of Comprehensive Income at the same rate as the amortisation on the assets to which the grant relates, being the useful life of the asset. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Consolidated Statement of Comprehensive Income in the same period as the related expenditure.

3.23 Warranty provision

A provision is recognised in the Consolidated Statement of Comprehensive Income when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation

A provision for warranty and product related liability is recognised when the underlying products are sold.

Remote Diagnostic Technologies Limited

Notes to the Financial Statements For the 10 Month Period Ended 31st December 2018

4. Judgments in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following judgements:

- 4.1 Determine whether there are indicators of impairment of the Company's tangible and intangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.
- 4.2 Determine whether research and development costs should be capitalised as intangible fixed assets. Factors taken into consideration include the technical feasibility of the project and the level of future economic benefits the project is expected to generate.

Other key sources of estimation uncertainty:

- 4.3 Tangible & intangible fixed assets (see notes 13 and 14).

Tangible and intangible fixed assets are depreciated and amortised over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Remote Diagnostic Technologies Limited

Notes to the Financial Statements For the 10 Month Period Ended 31st December 2018

5. Turnover

The whole of the turnover is attributable to the one principal activity of the Group and Company.

Analysis of turnover by country of destination:

	10 months to 31 December 2018 £'000	12 months to 28 February 2018 £'000
United Kingdom	2,002	6,005
Rest of Europe	1,242	2,424
Rest of the World	10,337	9,135
	13,581	17,564

6. Other operating income

	10 months to 31 December 2018 £'000	12 months to 28 February 2018 £'000
Grant income	420	132
Third party development income	252	257
	672	389

7. Operating (loss) / profit

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

	10 months to 31 December 2018 £'000	12 months to 28 February 2018 £'000
Amortisation of intangible fixed assets	5,030	1,531
Depreciation of tangible fixed assets	234	305
Loss on disposal of fixed assets	-	3
Exchange differences	(37)	(20)

Remote Diagnostic Technologies Limited

Notes to the Financial Statements For the 10 Month Period Ended 31st December 2018

8. Auditors' remuneration

	10 months to 31 December 2018 £'000	12 months to 28 February 2018 £'000
Fees payable to the Group and Company's auditors and their associates for the audit of the Company's financial statements	50	39

9. Employees

The staff costs in the Group, including directors' remuneration, were as follows:

	10 months to 31 December 2018 £'000	12 months to 28 February 2018 £'000
Wages and salaries	4,053	5,176
Social security costs	427	531
Other pension costs	83	76
	4,563	5,783

The wages and salaries figure detailed above includes £928,000 for the 10 months to 31 December 2018 (12 months to 28 February 2018: £1,051,000) that has been capitalised as part of Research and Development costs in the year. Included in social security costs for the 10 months to 31 December 2018 above is £102,000 (12 months to 28 February 2018: £128,000) also capitalised as part of Research and Development costs in the year.

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

	10 months to 31 December 2018 No.	12 months to 28 February 2018 No.
Directors	1	2
Senior Management	7	5
Sales and Marketing	19	16
Administrative	11	10
Research and Development	20	18
Quality and Regulatory	6	4
Technical	4	4
Production	11	9
	79	68

Remote Diagnostic Technologies Limited

Notes to the Financial Statements For the 10 Month Period Ended 31st December 2018

10. Directors' remuneration

	10 months to 31 December 2018 £'000	12 months to 28 February 2018 £'000
Directors' emoluments	219	612
Company contributions to personal pension schemes	2	8
	221	620

The highest paid director received remuneration of £219,000 (12 months to 28 February 2018: £386,000).

During the 10 month period retirement benefits were accruing to Nil (12 months to 28 February 2018: Nil) in respect of a personal pension plan.

The value of the Company's contributions paid to a personal pension scheme in respect of the highest paid director amount to £Nil (12 months to 28 February 2018: £Nil).

The emoluments figure detailed above for the 10 month period includes £72,000 (12 months to 28 February 2018: £89,000) that has been capitalised as part of Research and Development costs in the year.

During the period, the sole employed director received shares under the long-term incentive scheme (12 months to 28 February 2018: Nil) and exercised share options (see note 27 for details).

11. Interest payable and similar charges

	10 months to 31 December 2018 £'000	12 months to 28 February 2018 £'000
Interest payable to group undertakings	15	-
Bank and loan interest payable	5	28
Interest on finance lease and hire purchase contracts	15	38
	35	66

Remote Diagnostic Technologies Limited

Notes to the Financial Statements For the 10 Month Period Ended 31st December 2018

12. Tax on (loss) / profit

Analysis of the tax charge for the period:

	10 months to 31 December 2018 £'000	12 months to 28 February 2018 £'000
Current income tax charge		
Research and development tax credit	-	(35)
Adjustments in respect of prior years	(704)	10
Foreign tax on income for the year	114	72
Total current tax	(590)	47
Deferred tax		
Origination and reversal of timing differences	(2,029)	(352)
Losses and deductions on acquisition	3,461	-
Prior year under provision	787	-
Total deferred tax	2,219	(352)
Total tax (credit)/charge on profit on ordinary activities	1,629	(305)

Factors affecting Company tax charge for the year

The tax assessed for the 10 month period is lower than (12 months to 28 February 2018: lower than) the standard rate of corporation tax in the UK of 19% (12 months to 28 February 2018: 19.08%). The differences are explained below:

	10 months to 31 December 2018 £'000	12 months to 28 February 2018 £'000
(Loss)/profit before tax	(6,046)	1,003
Profit multiplied by the standard rate of corporation tax in the UK of 19% (12 months to 28 February 2018: 19.08%)	(1,149)	191
Effects of:		
Adjustment for losses and deductions on acquisition.	3,460	-
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	548	-
Adjustments to tax charge in respect of prior periods	68	-
Adjustments to tax charge in respect of share schemes	(1,638)	-
Adjustment to tax charge in respect of research and development tax credit	23	(597)
Other differences leading to an increase in the tax charge	317	101
	1,629	(305)

Remote Diagnostic Technologies Limited

Notes to the Financial Statements For the 10 Month Period Ended 31st December 2018

12. Tax on (loss) / 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 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19.08% and to 17% from 1st April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

13. Intangible assets

Group and Company

	Software	Capitalised development costs	Total
	£'000	£'000	£'000
Cost			
At 1 March 2018	97	21,492	21,589
Additions	16	2,864	2,880
At 31 December 2018	113	24,356	24,469
Accumulated Amortisation			
At 1 March 2018	39	7,418	7,457
Charge for the year	26	5,004	5,030
At 31 December 2018	65	12,422	12,487
Net book value			
At 31 December 2018	48	11,934	11,982
At 28 February 2018	58	14,074	14,132

The estimated useful life for development expenditure has been changed during the current accounting period from 10 years, to 5 years. The directors deem 5 years to be a more reliable estimate of the period during which the company is expected to benefit. The impact of this change in accounting estimate for the current 10 month period is an increase to the amortisation charge of £3,325,000.

Remote Diagnostic Technologies Limited

Notes to the Financial Statements
For the 10 Month Period Ended
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14. Tangible assets

Group and Company

	Plant and machinery £'000
Cost	
At 1 March 2018	1,773
Reclassification to stock	(635)
Write-off of fully depreciated assets	(141)
Additions	62
At 31 December 2018	<u>1,059</u>
Accumulated Depreciation	
At 1 March 2018	831
Reclassification to stock	(274)
Write-off of fully depreciated assets	(141)
Charge for the year	234
At 31 December 2018	<u>650</u>
Net book value	
At 31 December 2018	<u>409</u>
At 28 February 2018	<u>942</u>

In the 10 months to 31 December 2018, plant and machinery, with a net book value of £361,000 was classified from tangible assets to stock (12 months to 28 February 2018: £21,000).

The net book value of assets held under finance leases or hire purchase contracts, included in the Group and Company above, are as follows:

	31 December 2018 £'000	28 February 2018 £'000
Plant and machinery	<u>114</u>	<u>177</u>
	<u>114</u>	<u>177</u>

Remote Diagnostic Technologies Limited

Notes to the Financial Statements For the 10 Month Period Ended 31st December 2018

15. Investments

Subsidiary undertakings

As disclosed, on 31st December 2018, Philips Holdings USA acquired 100% of the share capital of Remote Diagnostic Technologies LLC, incorporated in America, which, until this date was a direct wholly owned subsidiary of Remote Diagnostic Technologies Limited, with a principal activity of development, marketing and selling of remote diagnostic equipment.

The disposal is analysed as follows:

	Group
	£'000
Consideration received	1,171
Net Assets	(958)
	<hr/>
Gain on disposal of Subsidiary	213

The Company's remaining subsidiary undertaking is listed below. The holding is a direct holding of 100% of the ordinary shares by Remote Diagnostic Technologies Limited.

Name	Country of incorporation	Class of shares	Holding	Principal activity
RDT PTY LTD	Australia	Ordinary	\$1	Dormant

The address of the undertaking's registered office is Unit 10/120 Saunders Street, Pyrmont NSW 2009, Australia.

	Investments in subsidiary companies £'000
Cost	
At 31 December 2018	- <hr/>
At 28 February 2018	- <hr/>

Remote Diagnostic Technologies Limited

Notes to the Financial Statements For the 10 Month Period Ended 31st December 2018

16. Stocks

Group and Company

	31 December 2018 £'000	28 February 2018 £'000
Finished goods and goods for resale	3,550	2,935
Demo stock	508	-
	<u>4,058</u>	<u>2,935</u>

The difference between purchase price or production cost of stocks and their replacement is not material. Inventories are stated after provisions for impairment of £100,000 (28 February 2018: £100,000). The movement in provision is included in cost of sales. During the period, demo stock was reclassified from tangible fixed assets as already disclosed. In the 10 month period, demo stock had depreciation charged of £249,000.

17. Debtors

	Group and Company 31 December 2018 £'000	Group 28 February 2018 £'000	Company 28 February 2018 £'000
Trade debtors	6,478	3,263	3,263
Other debtors	-	17	17
Taxation and social security	935	454	454
Prepayments and accrued income	164	195	191
	<u>7,577</u>	<u>3,929</u>	<u>3,925</u>

Trade debtors are stated after provisions for impairment of £69,000 (28 February 2018: £32,000).

18. Cash and cash equivalents

	Group and Company 31 December 2018 £'000	Group 28 February 2018 £'000	Company 28 February 2018 £'000
Cash at bank and in hand	1,222	3,962	3,870

Remote Diagnostic Technologies Limited

Notes to the Financial Statements For the 10 Month Period Ended 31st December 2018

19. Creditors: amounts falling due within one year

	Group and Company 31 December 2018 £'000	Group 28 February 2018 £'000	Company 28 February 2018 £'000
Bank loans and overdrafts	-	500	500
Trade creditors	1,676	1,505	1,505
Amounts owed to group undertakings	604	-	848
Loans from Group undertakings	2,721	-	-
Taxation and social security	150	1,735	1,735
Obligations under finance lease and hire purchase contracts	77	71	71
Other creditors	-	4	4
Grants received	258	162	162
Accruals and deferred income	861	936	779
	6,347	4,913	5,604

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

Loans from group undertakings incur interest at an agreed group rate.

20. Creditors: amounts falling due after more than one year

Group and Company

	31 December 2018 £'000	28 February 2018 £'000
Bank loans and overdrafts	-	119
Obligations under finance lease and hire purchase contracts	62	127
Grants received	862	1,051
	924	1,297

Grants received include amounts to be released after more than 5 years totalling £96,000 (28 February 2018: £474,000).

Remote Diagnostic Technologies Limited

Notes to the Financial Statements For the 10 Month Period Ended 31st December 2018

21. Provisions for liabilities

Group and Company

	31 December 2018 £'000	28 February 2018 £'000
Warranty provision	149	140

Provisions of £149,000 relate to a warranty provision, the amount is calculated at 0.5% of the value of unit sales on a rolling two year period (28 February 2018: £140,000).

22. Loans

Group and Company

	31 December 2018 £'000	28 February 2018 £'000
Amounts falling due within one year:		
Bank loans	-	500
Amounts falling due more than one year:		
Bank loans	-	119

The bank loans were repaid in full during the 10 month financial period ended 31 December 2018.

23. Finance leases and hire purchase

The minimum finance lease payments are as follows:

Group and Company

	31 December 2018 £'000	28 February 2018 £'000
Within one year	77	71
Between 1 – 2 years	54	77
Between 2 – 5 years	8	50
	139	198

Remote Diagnostic Technologies Limited

Notes to the Financial Statements For the 10 Month Period Ended 31st December 2018

24. Financial Instruments

	Group and Company 31 December 2018 £'000	Group 28 February 2018 £'000	Company 28 February 2018 £'000
Financial assets measured at amortised cost	7,700	7,242	7,150
Financial liabilities measured at amortised cost	(6,001)	(3,262)	(3,953)

Financial assets measured at amortised cost comprise cash and cash equivalents, trade debtors and other debtors.

Financial liabilities measured at amortised cost comprise bank loans, trade creditors, other creditors, accruals and amounts owed to group undertakings.

25. Deferred tax (liability)/asset

Group and Company	Deferred tax asset/(liability) £'000
At 1 March 2018 - Asset	306
Charged to the profit or loss	(2,219)
At 31 December 2018 – Liability	(1,913)

Group and Company

The net deferred tax (liability)/asset is made up as follows:

	31 December 2018 £'000	28 February 2018 £'000
Accelerated capital allowances	(2,066)	(2,456)
Tax losses carried forward	120	2,722
Short term timing differences	33	40
Net deferred tax (liability)/asset	(1,913)	306

Remote Diagnostic Technologies Limited

Notes to the Financial Statements For the 10 Month Period Ended 31st December 2018

26. Called up share capital

	31 December 2018 £'000	28 February 2018 £'000
Allotted, called up and fully paid		
271,341 (28 February 2018: 246,659) Ordinary shares of £0.001 each	-	-
1,875 (28 February 2018: 1,875) Growth shares of £0.001 each	-	-
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

The terms attached to each class of shares are as follows:

- Ordinary shares – full voting, dividend and capital distribution rights
- Growth shares – no voting rights, no dividend rights, rights on a capital distribution to surplus assets in excess of the growth share threshold and no redemption rights. On 9th November 2018, the growth shares were redesignated as ordinary shares with the same rights as those shares

On 6 June 2018, the company allotted and called up an additional 24,682 ordinary shares of £0.001 each, for consideration of £24.68.

Remote Diagnostic Technologies Limited

Notes to the Financial Statements For the 10 Month Period Ended 31st December 2018

27. Share based payments

Equity-settled share option plan

Remote Diagnostic Technologies Limited have granted options under an Enterprise Management Incentive Scheme. Share options are granted from time to time, and the options so granted are placed in the employee's hands until exercise or expiry. Options remaining unexercised after a period of 10 years, from the date of grant, expire, unless replacement options are issued. Furthermore, options are forfeited if the employee leaves the company before the exercise conditions are met.

The exercise conditions are based on the entity being listed or being sold. On 6 June 2018, during the 10 month period, the entity was sold, and therefore the exercise and hence vesting conditions were met at the point of sale. Therefore, in line with FRS 102, a share option charge has been recognised.

Issues of ordinary shares

The total number of shares issued to 21 (28 February 2018: 14) employees under outstanding options in the Approved Enterprise Management Incentive Scheme and the years in which they may be exercised are as follows:

	Weighted average exercise price (pence) 10 month period to 31 December 2018	Number of options 10 month period to 31 December 2018	Weighted average exercise price (pence) 12 month period to 28 February 2018	Number of options 12 month period to 28 February 2018
Outstanding at the beginning of the year	1,104	24,682	746	20,034
Prior year adjustment	-	-	750	98
Lapsed	-	-	750	(2,500)
Granted during the year	-	-	2,000	7,050
Exercised	(1,104)	(24,682)	-	-
Outstanding at the end of the year	-	-	1,104	24,682

At 31 December 2018 there were no share options outstanding under employee share schemes.

The Group recognises a share based payment expense based on the fair value of the share awards granted, and an equivalent credit in retained earnings in equity.

The fair value of share option awards is determined using a Black-Scholes option pricing model. The key assumptions used in determining the FV of the options granted are as follows:

Remote Diagnostic Technologies Limited

Notes to the Financial Statements For the 10 Month Period Ended 31st December 2018

27. Share based payments (continued)

	10-Nov-11	9-Dec-11	7-Nov-13	6-Jun-14
Share price (£)	29.94	31.96	79.95	81.61
Exercise price (£)	7.15	7.15	7.50	7.50
Risk free rate of return	2.32%	2.28%	2.78%	2.81%
Time (years)	10.0	10.0	10.0	10.0
Volatility	30%	30%	30%	30%
Fair value of option (£)	24.4459	26.4275	74.2795	75.9587
Number of options	1,408	700	2,193	10,831
	29-Feb-16	29-Jun-17	10-Aug-17	13-Nov-17
Share price (£)	184.74	218.63	215.47	213.19
Exercise price (£)	7.50	20.00	20.00	20.00
Risk free rate of return	1.41%	1.28%	1.11%	1.39%
Time (years)	10.0	10.0	10.0	10.0
Volatility	30%	30%	30%	30%
Fair value of option (£)	178.2290	201.1027	197.6500	195.8508
Number of options	2,500	3,550	1,500	2,000

The volatility assumption is based on a statistical analysis of daily share prices of comparable publically quoted companies.

The share-based payment expenses total £2,886,000 in the 10 month period to 31 December 2018 (12 month period to 28 February 2018: £nil).

The group did not enter into any share-based payment transactions with parties other than employees during the current or previous periods.

28. Pension commitments

The Group contributes to personal pension plans of certain employees as agreed in their contract of employment. The pension cost charge represents contributions payable by the Group in respect of these pensions and in the 10 month period to 31 December 2018 amounted to £83,000 (12 months to 28 February 2018: £76,000). No contributions were payable at the Balance Sheet date for the current or prior year.

Remote Diagnostic Technologies Limited

Notes to the Financial Statements For the 10 Month Period Ended 31st December 2018

29. Commitments under operating leases

At 31 December 2018 and 28 February 2018, the Group and Company had future minimum lease payments under non-cancellable operating leases as follows:

	31 December 2018 £'000	28 February 2018 £'000
Not later than 1 year	79	107
Later than 1 year and not later than 5 years	1	97
Total	80	204

30. Related party transactions

The Company has taken advantage of the exemption allowed under FRS102 s.33.1A not to disclose transactions with other wholly owned members of the Group.

31. Controlling party

The ultimate parent undertaking and controlling party is Koninklijke Philips N.V., a company incorporated in the Netherlands. Koninklijke Philips N.V. is the parent undertaking of the smallest and largest group to consolidate these financial statements and copies of its consolidated financial statements can be obtained at www.results.philips.com or from the Company Secretary, Remote Diagnostic Technologies Limited, The Philips Centre, Guildford Business Park, Guildford, Surrey, GU2 8XG, United Kingdom.