

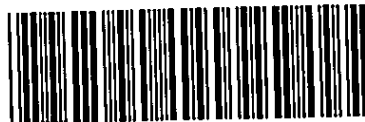
Company Registration No. 04056975

Raymarine Holdings Limited

Directors' Report and Financial Statements

For the year ended 31 December 2010

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Raymarine Holdings Limited

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Raymarine Holdings Limited

Director's report

The directors present their annual report on the affairs of the Company, together with the financial statements and auditors' report, for the year ended 31 December 2010

This directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption

Business review

On 14 May 2010 the ultimate parent company, Raymarine plc, sold Raymarine Holdings Ltd and its subsidiaries to FLIR Systems Holdings AB (Sweden). As part of this transaction FLIR Systems Holdings AB provided an intercompany loan to Raymarine Holdings Ltd which the Company used to repay all the bank debt and settle the remaining interest rate swaps. Furthermore £8.3m of the intercompany debt with its previous parent company was written off at this time. Subsequently in 2010 FLIR Systems Holding AB irrevocably and unconditionally waived its right to receive repayment of its £96.6m loan and any of its indebtedness from Raymarine Holdings Ltd.

The Company acts as a holding company for investments in the Raymarine group of companies which is a subdivision of FLIR Systems Inc. As a holding company, its main income streams are dividends and interest. It performs a treasury function for its subsidiaries, entering into foreign forward exchange contracts on their behalf if and when required, providing funding and maximising cash utilisation amongst its subsidiaries.

On 8 October 2010 a deed of substitution was executed, making the Company the New Principal Company under the Raymarine Group Limited Employee Share Ownership Plan (the "EBT"). This was in order to ensure the benefits of the cash held under the plan continue to benefit the employees of Raymarine Group. The net assets of the EBT on this date were £27k and consisted only of cash. Income of the EBT since 8 October 2010 and the assets at the balance sheet date have been included in this set of results.

The profit for the year after taxation amounted to £9.0m (2009: £1.6m loss) and was transferred to reserves.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business review above. The Company is expected to continue to generate positive cash flows on its own account for the foreseeable future. The Company is able to participate in the Group's centralised treasury arrangements and with the Group Treasurer keeps under review the requirement for foreign currency derivatives to hedge future foreign cash flows.

The directors, having assessed the responses of the directors of the Company's parent, FLIR Systems Inc (USA) to their enquiries, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Company to continue as a going concern or its ability to continue with the current banking arrangements.

Dividends

The directors do not recommend a final dividend (2009: nil).

Research and development

The research and development costs of £0.5m (2009: £1.0m) were due to amortisation and impairment of previously capitalised costs. During 2011 the research and development assets have been sold to Raymarine UK Limited.

Directors

The directors who held office during the year were as follows:

John Osbaldiston	resigned 14 May 2010
Peter Ward	resigned 14 May 2010
Earl Lewis	appointed 14 May 2010
Anthony Trunzo	appointed 14 May 2010
Thomas Surran	appointed 14 May 2010
Andrew Teich	appointed 14 May 2010

Director's report (continued)

Charitable and political contributions

The Company made no political or charitable donations during the year (2009 £nil)

Auditors

Each of the persons who is a director at the date of approval of this annual 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
- the director has taken all the steps that he ought to have taken as a director in order to make himself 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 s418 of the Companies Act 2006

Following the change of ownership the previous auditors, Deloitte LLP have resigned and in accordance with Section 485 of the Companies Act 2006, a written resolution for the appointment of KPMG LLP as auditors of the Company was approved by the directors

Registered office:
Marine House,
5 Harbourgate,
Southampton Road,
Portsmouth,
Hampshire,
PO6 4BQ

By order of the Board



Thomas Surran
Director

27 September 2011

Directors' responsibility statement

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs as adopted by the EU, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

Dukes Keep
Marsh Lane
Southampton
SO14 3EX
United Kingdom

Independent Auditor's report to the members of Raymarine Holdings Limited

We have audited the financial statements of Raymarine Holdings Limited for the year ended 31 December 2010 set out on pages 5 to 32. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the EU, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

W Smith

W Smith (Senior Statutory Auditor) for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Dukes Keep
Marsh Lane
Southampton
SO14 3EX

30 September 2011

Raymarine Holdings Limited

Income statement

Year ended 31 December 2010

	Note	2010 £'000	2009 £ 000
Revenue	3	133	176
Cost of sales		(28)	(27)
Gross profit		105	149
Administrative expenses			
- Research and development	4	(455)	(1,041)
- Impairment of investments	4, 12	-	(2,780)
- Amortisation of patents and know-how	10	(726)	(725)
- Other administrative expenses	4	5,115	(3,102)
		3,934	(7,648)
Other operating income – foreign exchange gains		121	-
Other operating expenses – foreign exchange losses		(197)	-
Operating profit/(loss)	4	3,963	(7,499)
Income from shares in Group undertakings		6,441	7,578
Finance income	7	1,116	2,403
Finance costs	8	(3,682)	(5,682)
Profit/(loss) before tax		7,838	(3,200)
Tax credit	9	1,133	1,606
Profit/(loss) for the year	21	8,971	(1,594)
All results relate to continuing activities			

Raymarine Holdings Limited

Statement of comprehensive income For the year ended 31 December 2010

	2010 £'000	2009 £'000
Profit/(loss) for the year	8,971	(1,594)
Effective portion of changes in fair value of cash flow hedges	452	(787)
Net change in fair value of cash flow hedges reclassified to profit or loss	(72)	407
Other comprehensive profit/(loss)	380	(380)
Tax relating to components of other comprehensive profit/(loss) Relating to cash flow hedges	(106)	106
Other comprehensive profit/(loss) for the year	274	(274)
Total comprehensive income and expense for the year attributable to shareholders of the parent	9,245	(1,868)

Raymarine Holdings Limited

Statement of changes in equity

For the year ended 31 December 2010

Equity attributable to shareholders of the parent

	Share capital £'000	Capital contribution reserve £'000	Hedging & translation reserves £'000	Retained earnings £'000	Total equity £'000
At 1 January 2010	-		365	(1,530)	(1,165)
Profit for the year	-		-	8,971	8,971
Cash flow hedges	-		380	-	380
Tax relating to components of other comprehensive income (Note 17)	-		(106)	-	(106)
Acquisition of EBT	-		(20)	47	27
Additional paid in share capital	-	96,632	-	-	96,632
Total comprehensive income and expense for the year	-	96,632	254	9,018	105,904
At 31 December 2010	-	96,632	619	7,488	104,739

Statement of changes in equity

For the year ended 31 December 2009

Equity attributable to shareholders of the parent

	Share capital £'000	Hedging & translation reserves £'000	Retained earnings £'000	Total equity £'000
At 1 January 2009	-	639	64	703
Loss for the year	-	-	(1,594)	(1,594)
Cash flow hedges	-	(380)	-	(380)
Tax relating to components of other comprehensive income (Note 17)	-	106	-	106
Total comprehensive income and expense for the year	-	(274)	(1,594)	(1,868)
As at 31 December 2009	-	365	(1,530)	(1,165)

Raymarine Holdings Limited

Statement financial position

At 31 December 2010

	Note	2010 £'000	2009 £'000
Non-current assets			
Intangible fixed assets	10	751	1,932
Property, plant and equipment	11	8	37
Investments	12	77,953	78,219
Deferred tax assets	17	258	160
		<u>78,970</u>	<u>80,348</u>
Current assets			
Other receivables	13	-	89
Amounts owed by Group undertakings	13	22,428	13,620
Tax receivable		929	8,592
Cash and cash equivalents		2,672	1,267
		<u>26,029</u>	<u>23,568</u>
Current liabilities			
Bank overdraft	15	-	1,365
Borrowings	15	-	90,652
Trade and other payables	14	30	1,600
Amounts owed to Group undertakings	14	230	11,084
Derivative financial instruments	16	-	380
		<u>260</u>	<u>105,081</u>
Net current assets /(liabilities)		<u>25,769</u>	<u>(81,513)</u>
Net assets /(liabilities)		<u>104,739</u>	<u>(1,165)</u>
Equity			
Share capital	18	-	-
Capital contribution reserve	19	96,632	-
Hedging and translation reserves	20	619	365
Retained earnings	21	7,488	(1,530)
Equity attributable to shareholders of the parent		<u>104,739</u>	<u>(1,165)</u>

The financial statements of Raymarine Holdings Limited, registered number 04056975, were approved by the Board of directors and authorised for issue on 27 September 2011. They were signed on its behalf by



Tom Sufran
Director

Raymarine Holdings Limited

Statement of cash flows

Year ended 31 December 2010

	Note	2010 £'000	2009 £'000
Net cash used in operating activities	22	(1,100)	(8,364)
Investing activities			
Income from shares in Group undertakings		6,441	7,578
Acquisition of subsidiaries		27	-
Repayment of long term loan		-	651
Net cash from investing activities		<u>6,468</u>	<u>8,229</u>
Financing activities			
Proceeds from borrowings		-	2,021
Repayments of borrowings		(158)	(9,331)
Repayments of intercompany borrowings		(2,440)	(3,506)
Net cash used in financing activities		<u>(2,598)</u>	<u>(10,816)</u>
Net increase/ (decrease) in cash and cash equivalents		2,770	(10,951)
Cash and cash equivalents at beginning of year		(98)	10,853
Cash and cash equivalents at end of year		<u>2,672</u>	<u>(98)</u>
Net cash/(debt ¹)		<u>2,449</u>	<u>(101,712)</u>

¹Net debt is calculated as cash less bank loans less intercompany loans. It does not include financial assets or financial liabilities.

Notes to the financial statements

Year ended 31 December 2010

1. General information

Raymarine Holdings Limited is a company incorporated and domiciled in the United Kingdom under the historical convention and in accordance with the Companies Act 2006. The address of the registered office is given on page 2. The nature of the Company's operations and its principal activities are set out in the Directors' report on page 1.

There were no IFRSs which are effective for the first time in these financial statements.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' (mandatory for year commencing on or after 1 July 2010)
- Revised IAS 24 'Related Party Disclosure' (mandatory for year commencing on or after 1 January 2011)
- Improvements to IFRSs (issued May 2010) (mandatory for the year commencing on or after 1 July 2010 or 1 January 2011)
- Amendments to IFRS 7 'Financial Instruments Disclosures' (mandatory for year commencing on or after 1 July 2011)
- IFRS 9 'Financial Instruments' (mandatory for year commencing on or after 1 January 2013)

The directors do not expect that the adoption of these Standards and Interpretations in future periods will have a material impact on the financial statements of the Company.

2. Significant accounting policies

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) adopted by the European Union and therefore the Company's financial statements comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments. The principal accounting policies adopted are set out below.

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

A copy of the consolidated accounts of FLIR Systems Inc can be obtained from the address given in Note 23.

Going concern

The financial statements have been prepared on a going concern basis.

Goodwill

Goodwill represents the excess of the cost of acquisition over the Company's interest in the fair value of the identifiable assets and liabilities of subsidiaries at the date of acquisition.

Goodwill is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed. Goodwill arising on acquisitions before the date of transition to IFRSs has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Notes to the financial statements (continued)

2. Significant accounting policies

Investments

Fixed asset investments are stated at cost, but provision is made if it is considered that there has been any impairment in value

Revenue recognition

Revenue represents the amounts receivable from Raymarine Inc and Raymarine UK Limited in the form of royalty income for use of the Fishfinder technology

Other income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established

Foreign currencies

Transactions in functional currencies are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rate prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rate prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in net profit or loss for the period, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised in equity

Operating profit/(loss)

Operating profit/ (loss) comprises profit/ (loss) from operations and is stated after charging exceptional costs but before income from shares in Group undertakings, finance income and finance costs

Exceptional costs

Costs are exceptional costs when they are associated with normal activities, are of a non-recurring nature and/or are of an exceptional magnitude that if they were not shown separately the accounts would not present a true and fair view. Management track the performance of the business excluding these items. These are subdivided into non-recurring items and restructuring costs. See Note 4

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

Taxation (continued)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis

Tools and equipment

Tools and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is charged so as to write off the cost or valuation of assets, over an estimated useful life of 4 years, using the straight-line method

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred

Development expenditure, where it meets certain criteria (given below), is capitalised and amortised on a straight-line basis over its useful life which is estimated to be three years. Asset lives are subject to regular review and an impairment exercise carried out at least once a year. Where no internally-generated intangible asset can be recognised, development expenditure is expensed in the period in which it is incurred

An asset is recognised only if all of the following conditions are met

- The product is technically feasible and marketable,
- The Company has adequate resources to complete the development of the product,
- The development cost of the asset can be measured reliably, and
- It is probable that the asset created will generate future economic benefits

Patents and trademarks

Patents and trademarks are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives which is determined to be ten years

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

Impairment of tangible and intangible assets excluding goodwill

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Financial instruments

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits.

Trade receivables

Trade receivables do not carry any interest and are stated at their normal value as reduced by appropriate allowances for estimated irrecoverable amounts.

De-recognition of financial assets

The Company de-recognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis to the profit and loss account using effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade payables

Trade payables are not interest-bearing and are stated at their nominal value.

De-recognition of financial liabilities

The Company de-recognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Derivative financial instruments

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Company does not use derivative financial instruments for speculative purposes. Further details of derivative financial instruments are disclosed in Notes 16 and 25.

The use of financial derivatives is governed by the Company's policies approved by the Board of directors, which provide written principles on the use of financial derivatives. The purpose for which a derivative is used is identified at inception. To qualify for hedge accounting, the contract must be in accordance with established guidelines which require that the hedging relationship is documented, ensure it is highly effective in achieving its objective, and require that its effectiveness can be reliably measured throughout its duration/term.

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Company designates certain derivatives as either hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other operating income/expense' line of the income statement.

Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the income statement as the recognised hedged item.

Hedge accounting is discontinued when the Company revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

Provisions

Provisions for restructuring costs are recognised when the Group has a detailed formal plan for the restructuring that has been communicated to affected parties.

Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Company's accounting policies, which are described above, management has made the following judgements and estimations about the future that have the most significant effect on the amounts recognised in the financial statements. Management regularly reviews these estimates and updates them when required.

Assessment of the carrying value of assets

Future cash flow forecasts are used as the basis to assess the carrying value of some of the Company's assets and to determine whether provisions or impairment is necessary.

There are a number of assumptions and estimates involved in calculating the net present value of future cash flows from the Company's business, including management's expectations of:

- growth in EBITDA, calculated as adjusted operating profit before depreciation and amortization,
- timing and quantum of future capital expenditure,
- uncertainty of future technological developments,
- long term growth rates, and
- the selection of discount rates to reflect the risks involved.

The Company prepares and internally approves formal three year plans for its businesses and uses these as the basis for its impairment reviews. Management uses these plans to review the carrying value of the goodwill and internally generated research and development.

The Company has used reasonable discount rates and growth rate assumptions for its cash flow projections. If these were to be revised this could affect the Group's impairment evaluation and, hence, results. The key assets included in the assessment are:

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

Assessment of the carrying value of assets

(i) Investment in Group undertakings

The carrying value of investment in shares in Group undertakings is given in more detail in Note 12. At the end of each reporting period it is required under IAS 36 Impairment of Assets to assess whether there is any indication that an asset may be impaired. Following identification that an asset may be impaired an impairment review is carried out involving judgement of the future cash flow of the undertaking. Management prepare such cash flow forecasts derived from the most recent budgets approved by the Board for the next three years.

(ii) Development expenditure

Capitalisation of development expenditure is a requirement of IAS 38. All capitalised and ongoing projects are reviewed regularly to ensure they meet the criteria for capitalisation.

Revenue assumptions are made for new products based on management's market knowledge, historical sales and competition. For projects to be authorised they must achieve a high internal rate of return. Development expenditure is incurred up front and capitalised before any revenue has been earned from them. Actual revenue will vary from the original estimates, however due to the high internal rates of return assumed, any risk of impairment is considered to be minimal.

Development expenditure is amortised over three years, management's best estimate of the useful life of the projects over which period the assets will generate revenue.

Taxation

In arriving at our tax obligations we make judgements on appropriate tax law within the relevant tax jurisdictions that we have a taxable presence. We seek professional tax advice, as appropriate, before making judgements on tax matters. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The carrying value of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Fair value of derivatives and other financial instruments

As described in Note 25, the directors use their judgement in selecting an appropriate valuation technique for derivative financial instruments. Assumptions are made based on quoted market rates adjusted for specific features of the instrument.

3. Revenue

An analysis of the Company's revenue is as follows

	2010 £'000	2009 £'000
Royalty income	133	176
	<u>133</u>	<u>176</u>

Notes to the financial statements (continued)

4. Operating profit/(loss)

Operating profit/(loss) is stated after charging

	2010 £'000	2009 £'000
Research and development costs		
Research and development costs expensed	-	48
Amortisation of capitalised development costs	455	538
Impairment of capitalised development costs	-	455
Amortisation of other intangible assets (Note 10)	726	726
Depreciation and other amounts written off property, plant and equipment		
Owned (Note 11)	29	27
Profit on disposal and write off of fixed assets	-	(2)
Auditor's remuneration for audit services – (see below)	53	99
Non-recurring items		
Legal and Consultancy Costs	3,014	2,773
Impairment of investment in Group undertaking	-	2,780
Redundancy	38	-
Loan from previous parent company waived	(8,299)	-
Restructuring Costs	-	(9)

The analysis of auditor's remuneration is as follows

	2010 £'000	2009 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts		
Deloitte	26	99
KPMG	27	-
Total audit fees	53	99

5. Remuneration of directors

Up until the 14th May 2010 the directors were employed and remunerated through Raymarine UK Limited, a subsidiary of Raymarine Holdings Limited, after this date they were employed and remunerated through a fellow subsidiary. This remuneration was paid to the directors for acting in the best interests of the Group as a whole and it is not possible to split this between the subsidiaries for which they were directors.

6. Staff numbers and costs

The Company had no employees other than directors during the year (2009 nil)

Notes to the financial statements (continued)

7. Finance income

	2010 £'000	2009 £'000
Interest receivable from Group undertakings	1,112	1,533
Interest and dividend income	4	6
Foreign exchange gains on non-operating earnings	-	864
	<u>1,116</u>	<u>2,403</u>

8. Finance costs

	2010 £'000	2009 £'000
Interest payable on bank loans	2,368	5,682
Interest payable to other Group undertakings	1,092	-
	<u>3,460</u>	<u>5,682</u>
Total borrowing costs	3,460	5,682
Foreign exchange losses on non-operating earnings	222	-
	<u>3,682</u>	<u>5,682</u>

9. Taxation

	2010 £'000	2009 £'000
Current tax		
UK corporation tax- current year	(929)	(1,057)
Adjustment recognised in period for current tax of prior periods	-	26
	<u>(929)</u>	<u>(1,031)</u>
Current tax credit for year	(929)	(1,031)
Deferred tax (Note 17)		
Current year	(208)	(488)
Adjustment recognised in period for deferred tax of prior periods	4	(87)
	<u>(204)</u>	<u>(575)</u>
Total tax credit	<u>(1,133)</u>	<u>(1,606)</u>

The credit for the year can be reconciled to the loss per the income statement as follows

	2010 £'000	%	2009 £'000	%
Profit/(loss) before tax	<u>7,838</u>		<u>(3,200)</u>	
Tax at the UK corporation tax rate of 28% (2009 28%)	2,195		(896)	
Dividend income not taxable	(1,803)		(2,122)	
Prior year adjustments	4		(61)	
Non-taxable income	(2,082)		-	
Tax effect of expenses that are not deductible in determining taxable profit	537		1,473	
Rate differences for deferred tax	16			
	<u>(1,133)</u>		<u>(1,606)</u>	
Tax credit and effective tax rate for the year	<u>(1,133)</u>	<u>(14.5%)</u>	<u>(1,606)</u>	<u>(50.2%)</u>

Notes to the financial statements (continued)

9. Taxation (continued)

On 22 November 2004, Raymarine Inc, a 100% subsidiary of Raymarine Holdings Limited, was migrated to be resident in the United States. Under UK tax rules, there is a deemed disposal of the Company's assets for UK tax purposes on the date of emigration from the UK which gives rise to a held-over chargeable gain. The gain would now crystallise if Raymarine Inc were to cease to be a 75% subsidiary of the Company at any time. The estimated tax charge that would arise is £4.4m. As the likelihood of this occurring is considered to be remote, in accordance with IAS 12, no provision has been made for this.

10. Intangible fixed assets

	Goodwill £'000	Development expenditure £'000	Other £'000	Total £'000
Cost				
At 1 January 2009	442	5,012	7,254	12,708
Additions	-	-	-	-
Disposals	-	(3,581)	-	(3,581)
At 1 January 2010 and 31 December 2010	442	1,431	7,254	9,127
Amortisation				
At 1 January 2009	-	(3,011)	(5,742)	(8,753)
Charge for the year	-	(538)	(726)	(1,264)
Disposals	-	2,822	-	2,822
At 1 January 2010	-	(727)	(6,468)	(7,195)
Charge for the year	-	(455)	(726)	(1,181)
At 31 December 2010	-	(1,182)	(7,194)	(8,376)
Impairment				
At 1 January 2009	-	(305)	-	(305)
Charge for the year	-	(455)	-	(455)
Disposals	-	760	-	760
At 31 December 2009 and 2010	-	-	-	-
Net book value				
At 31 December 2010	442	249	60	751
At 31 December 2009	442	704	786	1,932

Other intangible fixed assets comprise intellectual property (patents and licences)

Notes to the financial statements (continued)

11. Property, plant and equipment

	Tools and equipment £'000
Cost	
At 1 January 2010 and 1 January 2009	915
Disposals	(843)
At 31 December 2010	72
Accumulated depreciation	
At 1 January 2009	(677)
Charge for the year	(27)
At 31 December 2009 and 1 January 2010	(704)
Charge for the year	(29)
Disposals	669
At 31 December 2010	(64)
Impairment	
At 1 January 2009 and 31 December 2009	(174)
Reversal of impairment	174
At 31 December 2010	-
Net book value	
At 31 December 2010	8
At 31 December 2009	37

12. Fixed asset investments

Details of the Company's subsidiaries at 31 December 2010 are as follows

Name of subsidiary	Place of incorporation (or registration)	Principal activity	Class and percentage of shares held
Raymarine 2002 Limited	Great Britain	Investment Company	Ordinary 100%
Raymarine Inc	US	Marine electronics	Ordinary 100%
Raymarine UK Limited	Great Britain	Marine electronics	Ordinary 100%
Raymarine Italia (Formerly Deck Marine S p A *)	Italy	Marine electronics	Ordinary 100%
Raymarine Asia Pty Limited	Australia	Marine electronics	Ordinary 100%
Raymarine France (Formerly SDM Electronique SAS)	France	Marine electronics	Ordinary 100%
Raymarine Germany (Formerly Eissing GmbH)	Germany	Marine electronics	Ordinary 100%
Navsystems Oy	Finland	Marine electronics	Ordinary 100%

*Investment held by a subsidiary

Notes to the financial statements (continued)

12. Fixed asset investments (continued)

As the Company no longer has foreign currency borrowings to hedge the value of the foreign currency investments, the value of the investments which had previously been held in have been fixed in sterling with effect from June 2010. The recoverable amounts of the shares in Group undertakings are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. These assumptions have been revised in the year in light of the current economic environment which has resulted in more conservative estimates about the future. Management have used a discount rate of 10% (2009 11%) based on pre-tax rate that reflects current market assessments of the time value of money. The growth rates are based on management growth forecasts. Growth in the marine leisure industry is predicted to be lower than in previous years. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

	Shares in Group undertakings £'000	Investments in Group undertakings £'000	Loans to Group undertakings £'000	Total £'000
Cost				
At 1 January 2009	62,999	-	31,589	94,588
Exchange differences	(2,347)	-	(2,662)	(5,009)
Transfers	536	-	(536)	-
Decrease	-	-	(651)	(651)
At 1 January 2010	61,188	-	27,740	88,928
Exchange differences	1,113	-	(536)	577
Transfer	-	27,204	(27,204)	-
At 31 December 2010	62,301	27,204	-	89,505
Impairment				
At 1 January 2009	(7,203)	-	(1,151)	(8,354)
Exchange differences	469	-	(44)	425
Charge for the year	(2,780)	-	-	(2,780)
Transfer	698	-	(698)	-
At 1 January 2010	(8,816)	-	(1,893)	(10,709)
Exchange differences	(903)	-	60	(843)
Transfer	-	(1,833)	1,833	-
At 31 December 2010	(9,719)	(1,833)	-	(11,552)
Net book value				
At 31 December 2010	52,582	25,371	-	77,953
At 31 December 2009	52,372	-	25,847	78,219

The right to receive £27.2m from its subsidiaries, Raymarine UK Limited Italian branch, Navsystems OY and Raymarine Inc, was waived during the year and consequently the amount transferred from loans to investments.

Notes to the financial statements (continued)

13. Other financial assets

Other receivables

	2010	2009
	£'000	£'000
Other receivables	<u>-</u>	<u>89</u>

Amounts owed by Group undertakings

	2010	2009
	£'000	£'000
Amounts owed by Group undertakings	<u>22,428</u>	<u>13,620</u>
Amount due for settlement within 12 months (shown under current assets)	<u>22,428</u>	<u>13,620</u>
	<u>22,428</u>	<u>13,620</u>

The directors consider that the carrying value of amounts owed by Group undertakings approximates their fair value

Cash and cash equivalents

Cash and cash equivalents comprise cash held by the Company and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

Credit risk

The Company's principal financial assets are cash and other receivables and amounts owed by Group undertakings, which represent the Company's maximum exposure to credit risk in relation to financial assets.

The Company's credit risk is limited because it primarily relates to amounts owed by Group undertakings, but for that reason the Company has significant concentration of credit risk.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Notes to the financial statements (continued)

14. Other financial liabilities

Trade and other payables

	2010 £'000	2009 £'000
Trade payables	3	37
Accruals and deferred income	27	1,563
	<u>30</u>	<u>1,600</u>
	2010 £'000	2009 £'000
Intercompany creditor	7	122
Intercompany debt	223	10,962
	<u>230</u>	<u>11,084</u>
Amounts owed to Group undertakings due for settlement within 12 months (shown under current liabilities)		

The directors consider that the carrying amount of amounts included in trade and other payables approximates their fair value

15. Bank borrowings

	2010 £'000	2009 £'000
Current		
Unsecured – at amortised cost		
Bank overdrafts	-	1,365
Secured – at amortised cost		
Bank loans	-	91,133
Less amortised bank costs	-	(481)
	<u>-</u>	<u>90,652</u>
	<u>-</u>	<u>92,017</u>

Analysis of borrowings by currency	Sterling £'000	US Dollar £'000	EUR £'000	AUD £'000	Total £'000
31 December 2010	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
31 December 2009					
Bank Overdraft	-	-	1,365	-	1,365
Bank loans	16,530	25,745	42,098	6,760	91,133

The directors estimate the fair value of the Company's borrowings as follows'

	2010 £'000	2009 £'000
Bank overdraft	-	1,365
Bank loans	-	91,133
	<u>-</u>	<u>92,498</u>

The weighted average interest rate paid on the bank loans was 6% (2009 6%) All bank borrowings were repaid on 14 May 2010

Notes to the financial statements (continued)

16. Derivative financial instruments

Interest rate derivatives

On 14 May 2010 the interest rate swaps were settled. The notional principal amounts at 31 December 2010 totalled £Nil (2009 £67.4m).

Interest rate swap agreements were used to reduce the cash flow volatility arising from changes in LIBOR rates payable on bank debt. The Company agreed to pay interest quarterly at fixed rates in exchange for variable LIBOR rates thus fixing the interest rate payable on bank debt.

At 31 December 2010, the fair value of the Company's interest rate derivatives is a liability of £Nil (2009 £0.4m). The 2009 amounts are based on quoted market values of equivalent instruments at the balance sheet date.

	2010 £'000	2009 £'000
Derivatives		
Interest rate swaps – cash flow hedges	-	380

For further details of derivative instruments see Note 25.

Fair value hedge of investment in foreign entity

On 14 May 2010 the Company repaid its foreign currency denominated borrowings and therefore no longer applied hedge accounting and fixed all of its foreign currency investments in sterling.

Until 14 May 2010 the Company had US Dollar denominated borrowings that it designated as a fair value hedge of the investment in its subsidiary in the US. The fair value of the portion of the Dollar borrowings hedging the investment as at 31 December 2010 was nil (2009 £13.6m). Foreign exchange gains of £0.6m (2009 gains of £1.5m) on translation of the borrowings designated as a hedge into Pounds Sterling have been recognised through the Income Statement.

Until 14 May 2010 the Company had Euro denominated borrowings which it designated as a hedge of the net investment in its subsidiaries in France and Germany. The fair value of the Euro borrowings which hedged the net investment as at 31 December 2010 was nil (2009 £32.7m). Foreign exchange loss of £0.4m (2009 gains of £2.7m) on translation of the borrowings designated as a hedge into Pounds Sterling have been recognised through the Income Statement.

Until 14 May 2010 the Company had Australian Dollar denominated borrowings which it designated as a hedge of the net investment in its subsidiary in Australia. The fair value of the Australian Dollar borrowings hedging the net investment as at 31 December 2010 was nil (2009 £1.7m). Foreign exchange gains of £0.1m (2009 loss of £0.3m) on translation of the borrowings designated as a hedge into Pounds Sterling have been recognised through the Income Statement.

Notes to the financial statements (continued)

17. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Company and movements thereon during the current and prior reporting period

	Accelerated tax depreciation £'000	Deferred development costs £'000	Other £'000	Total £'000
At 1 January 2009	62	475	(16)	521
Credit to income*	(313)	(278)	16	(575)
Credit to equity	-	-	(106)	(106)
At 1 January 2010	(251)	197	(106)	(160)
Credit to income*	(71)	(133)	-	(204)
Credit to equity	-	-	106	106
As 31 December 2010	(322)	64	-	(258)

* See note 9

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes

	2010 £'000	2008 £'000
Deferred tax liabilities	-	-
Deferred tax assets	(258)	(160)
	(258)	(160)

The restructuring provision related to the anticipated remaining costs associated with the closure in 2007 of the Fort Lauderdale research and development centre

On 22 June 2010 the Chancellor announced that the main rate of UK corporation tax will reduce from 28% to 27% with effect from 1 April 2011. This tax change became substantively enacted in July 2010 and therefore the effect of the rate reduction on the deferred tax balances as at 31 March 2011 has been included in the figures above.

On 23 March 2011 the Chancellor announced a further reduction in the main rate of UK corporation tax to 26% with effect from 1 April 2011. This change became substantively enacted on 29 March 2011 and therefore the effect of the rate would create an additional reduction in the deferred tax asset of approximately £10k. This has not been reflected in the figures above as it was not substantively enacted at the balance sheet date.

The Chancellor also proposed changes to further reduce the main rate of corporation tax by one per cent per annum to 23 per cent by 1 April 2014, but these changes have not yet been substantively enacted and therefore are not included in the figures above. The overall effect of the further reductions from 27 per cent to 23 per cent, if these applied to the deferred tax balance at 31 March 2011, would be to further reduce the deferred tax asset by approximately £40k.

18. Share capital

	2010 £'000	2009 £'000
<u>Authorised</u>		
As at 31 December 2009 and 31 December 2010		
Equity 1,000 (2009 1,000) ordinary shares of £1.00 each	1	1
	<u>1</u>	<u>1</u>

Notes to the financial statements (continued)

18. Share capital (continued)

	2010 £'000	2009 £'000
<u>Issued and fully paid</u>		
As at 31 December 2009 and 31 December 2010		
Equity 1 (2009 1) ordinary shares of £1.00 each	-	-
	-	-
	<u>-</u>	<u>-</u>

19. Capital contribution reserve

	2010 £'000	2009 £'000
<u>Additional paid in capital</u>		
As at 31 December 2009	-	-
Additions	96,632	-
	<u>96,632</u>	<u>-</u>

During the year intercompany loan of £96.6m repayable to intermediate parent company were waived and consequently converted to additional paid in capital

20. Hedging and translation reserve

	Hedging reserve £'000	Translation reserve £'000	Total £'000
Balance at 1 January 2009	-	639	639
Fair value loss on cash flow hedges during the year	(787)	-	(787)
Transfer to income on cash flow hedges	407	-	407
Related deferred tax on above items	106	-	106
Balance at 31 December 2009	(274)	639	365
Fair value profit on cash flow hedges during the year	452	-	452
Transfer to income on cash flow hedges	(72)	-	(72)
Acquisition of EBT	-	(20)	(20)
Related deferred tax on above items	(106)	-	(106)
Balance at 31 December 2010	-	619	619

The hedging reserve reflects the fair value of the unrealised gains and losses on unmatured interest rate swap contracts at the year end, net of related deferred tax. The translation reserve relates to translation differences when the company was moved into sterling functional currency from dollars, which happened before 1 January 2009. Both reserves are considered to be non-distributable.

21. Retained earnings

	£'000
Balance at 1 January 2009	64
Net loss for the year	(1,594)
Balance at 1 January 2010	(1,530)
Acquisition of EBT	47
Net gain for the year	8,971
Balance at 31 December 2010	7,488

Notes to the financial statements (continued)

22. Notes to the cash flow statement

	2010 £'000	2009 £'000
Operating profit / (loss)	3,963	(7,499)
Adjustments for		
Depreciation of property, plant and equipment	29	27
Impairment loss on tools and equipment	-	-
Impairment loss on investments	-	2,780
Write-off of parent loan	(8,299)	-
Amortisation of intangible assets	1,181	1,264
Impairment loss on intangible assets	-	455
(Profit)/loss on disposal of property, plant and equipment	-	(2)
Operating cash flows before movements in working capital	(3,126)	(2,975)
Decrease/(Increase) in receivables	89	(52)
(Decrease)/Increase in payables	(1,121)	861
Decrease in intercompany receivables	4,432	445
(Decrease)/increase in intercompany payables	(116)	(50)
Cash generated by/(used) in operations	158	(1,771)
Interest received	1,115	1,557
Interest paid	(2,770)	(8,002)
Foreign exchange	397	(110)
Tax paid	-	(38)
Net cash used in operating activities	(1,100)	(8,364)

Reconciliation of net debt	1 Jan 2010	Foreign exchange	Cash flow	Non-cash	31 Dec 2010
Cash in hand and at bank	1,267	-	1,405	-	2,672
Overdrafts	(1,365)	-	1,365	-	-
Borrowings due within 1 year	(90,652)	(1,857)	158	92,351	-
Intercompany debt due within 1 year	(10,962)	-	2,440	8,299	(223)
Net cash/(debt)	(101,712)	(1,857)	5,368	100,650	2,449

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments with maturity of three months or less

23. Events after the balance sheet date and ultimate parent undertaking

On 13 June 2011 Raymarine Holdings Limited sold its intangible and tangible fixed assets to Raymarine UK Limited in exchange for an additional share in the company

The ultimate parent undertaking is FLIR Systems Inc (USA), incorporated in the United States of America

The consolidated financial statements of FLIR Systems Inc are available to the public and are available on line by visiting www.flir.com or from 27700 Southwest Parkway Avenue, Wilsonville, OR 97070, United States

Notes to the financial statements (continued)

24. Related party transactions

During the year the Company received dividends from its subsidiary companies in the amount of £6,441k (2009 £7,578k)

	2010 £'000	2009 £'000
Royalty income		
From fellow subsidiaries	133	176
Interest income		
From fellow subsidiaries	1,245	2,048
Interest expense		
To fellow subsidiaries	928	515
Trade and other balance owed		
To ultimate parent	9	8,626
To fellow subsidiaries	221	2,458
Trade and other balance due		
From fellow subsidiaries	22,428	39,467

25. Financial instruments

Fair values of derivative financial instruments are based on marketing interest rates and foreign exchange rates as at the date of valuation

(a) Capital risk management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to its stakeholder through the optimisation of the debt and equity balance. The capital structure of the Company consists of debt, which includes the borrowings disclosed in Note 15, cash and cash equivalents, and equity attributable to shareholders of the parent, comprising issued share capital, reserves and retained earnings as disclosed in Notes 18 to 21

(b) Gearing ratio

The Company regularly reviews the capital structure. As part of this review, it considers the cost of capital and the risks associated with each class of capital

	2010 £'000	2009 £'000
The gearing ratio at the year end is as follows		
Borrowings	-	90,652
Intercompany debt	223	10,962
Cash and cash equivalents	(2,672)	(1,267)
Overdraft	-	1,365
Net (cash)/debt	(2,449)	101,712
Equity	104,739	1,615
Net debt to equity ratio ¹	n/a	98%

¹ Net debt to equity ratio is net debt expressed as a percentage of total net debt and equity

Debt is defined as long and short-term borrowings, as detailed in Note 14

Equity includes all capital and reserves of the Company attributable to equity holders of the parent

(c) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 2 to the financial statements

Notes to the financial statements (continued)

25. Financial instruments (continued)

(d) Categories of financial instruments

	2010 £'000	2009 £'000
Financial assets:		
At amortised cost		
Cash	2,672	1,267
Amounts owed by Group undertakings	22,428	13,620
Financial liabilities:		
At amortised cost		
Trade payables	3	37
Amounts owed to Group undertakings	230	11,084
Bank overdraft	-	1,365
Bank loans	-	90,652
Derivative instruments in designated hedge accounting relationships	-	380

The revised IFRS 7 requires that an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable, is given. The levels are as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities,
- Level 2 fair value measurements are those derived from inputs other than those quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices), and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's financial instruments, recognised at fair value, all fell into the Level 1 classification, with the exception of intercompany loans which would fall into Level 2.

(e) Financial risk management objectives

The Company's treasury function is provided centrally by the Group. It also monitors and manages the financial risks relating to the operations of the Company including market risk, credit risk, liquidity risk and interest rate risk.

The Company seeks to minimise the effects of these risks by using, where deemed appropriate, derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the Board of directors. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

(f) Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see below) and interest rates (see section g).

Notes to the financial statements (continued)

25. Financial instruments (continued)

Changes in interest rates

As part of the transaction to transfer ownership of Raymarine Holdings limited to FLIR Systems Holdings AB (Sweden), all bank debt was repaid and the interest rate swap contracts were settled. The Company is no longer exposed to interest rate movements and charges/incurs interest only on the short term funding requirements of its subsidiaries.

Until 14 May 2010 the borrowing costs were based on a margin of 425 basis points over LIBOR for the currency in which the borrowings are drawn for drawings under the USD 75m and EUR 56.5m credit facilities and 450 basis points over LIBOR under the £15m additional facility.

Foreign currency sensitivity

In 2010 and 2009 the Company was mainly exposed to fluctuations in US Dollars, Euros and Australian Dollars.

The following table details the Company's sensitivity to a 10 per cent change in pounds sterling against the respective foreign currencies. 10 per cent has been used as this has been deemed as a reasonably possible movement. A positive number indicates an increase in profit or loss where pounds sterling strengthens against the respective currency.

	2010		2009	
	Increase/ (decrease) in income £'000	Increase/ (decrease) in equity £'000	Increase/ (decrease) in income £'000	Increase/ (decrease) in equity £'000
USD	(118)	-	488	598
EUR	(15)	-	630	845
AUD	(24)	-	407	474
	<u>(157)</u>	<u>-</u>	<u>1,525</u>	<u>1,917</u>

Forward foreign exchange contracts

It is the policy of the Company to review the need for, and where deemed appropriate, to enter forward foreign exchange contracts to cover specific foreign currency payments and receipts. As at 31 December 2010, there were no such contracts in place (2009 nil).

(g) Interest rate risk management

Until 14 May 2010, the Company was exposed to interest rate risk as it borrowed funds at floating interest rates. The only exposure to interest rate risk is on funds loaned or borrowed from Group subsidiaries.

Under the swap contracts in place at the time, the Company agreed to pay interest quarterly at a fixed rate based on a notional principle, in exchange for floating interest based on 3 month LIBOR rates.

The table below details the swap notional principles at 31 December 2010 and rates applicable to the swap contracts. All of the contracts are designated as cash flow hedges where gains and losses deferred to equity are reclassified as appropriate to profit or loss over the lifetime of the swap contract.

Notes to the financial statements (continued)

25. Financial instruments (continued)

(g) Interest rate risk management (continued)

	Fixed rate		Swap notional	
	2010	2009	2010	2009
	%	%	£'000	£ 000
Current	-	1.89%	-	4,000
Non current	-	2.01%	-	60,742
			<u>-</u>	<u>64,742</u>

Interest rate sensitivity

The Company is no longer sensitive to the movement in interest rates as all bank debt has been repaid

(h) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company only has balances with fellow Group undertakings and its credit risk is therefore minimal.

The carrying amount of financial assets recorded in the financial statements represents the Company's maximum exposure to credit risk.

(i) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which reviews and manages the Company's short, medium and long term funding and liquidity requirements on a regular basis. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by regularly monitoring forecast and actual cash flows whilst attempting to match the maturity profiles of financial assets and liabilities. As at 31 December 2010 the Group had net cash of £2.7m, with any funding requirements above this being available to it through Group funding facilities (2009 the Group had £15.7m of undrawn facilities).

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted contractual maturities of the financial liabilities including interest that will accrue to those liabilities.

Notes to the financial statements (continued)

25. Financial instruments (continued)

(i) Liquidity risk management (continued)

2010	Weighted average effective rate	Less than 1 month	1 – 6 months	6 months to 1 year	1 to 5 years	Total
	%	£'000	£'000	£'000	£'000	£'000
<u>Non-interest bearing</u>						
Trade payables		3	-	-	-	3
Amounts owed to Group undertakings		7	-	-	-	7
		<u>10</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10</u>
<u>Variable interest rate instruments</u>						
Loan from Group undertakings	3.2%	223	-	-	-	223
		<u>233</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>233</u>
Total		<u>233</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>233</u>
 2009						
<u>Non-interest bearing</u>						
Trade payables		-	37	-	-	37
Amounts owed to Group undertakings		-	122	-	-	122
		<u>-</u>	<u>159</u>	<u>-</u>	<u>-</u>	<u>159</u>
<u>Variable interest rate</u>						
Loan from Group	5.5%	11,084	-	-	-	11,084
Overdraft	5.4%	-	1,365	-	-	1,365
Bank loans	6.0%	-	-	91,133	-	91,133
		<u>11,084</u>	<u>1,365</u>	<u>91,133</u>	<u>-</u>	<u>103,582</u>
Sub total		<u>11,084</u>	<u>1,365</u>	<u>91,133</u>	<u>-</u>	<u>103,582</u>
Less bank loans*	6.0%	-	-	(91,133)	-	(91,133)
		<u>-</u>	<u>-</u>	<u>(91,133)</u>	<u>-</u>	<u>(91,133)</u>
Total		<u>11,084</u>	<u>1,365</u>	<u>-</u>	<u>-</u>	<u>12,449</u>

Notes to the financial statements (continued)

25. Financial instruments (continued)

(1) Liquidity risk management (continued)

The following table details the Company's expected maturity for its non-derivative financial assets. The table has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Company anticipates that the cash flow will occur in a different period.

2010	Weighted average effective rate %	Less than 1 month £'000	1 – 6 months £'000	6 months to 1 year £'000	1 to 5 years £'000	Total £'000
Cash		2,672	-	-	-	2,672
Amounts owed by Group undertakings			1,891	-	-	1,891
<u>Variable interest rate instruments</u>						
Amounts owed by Group undertakings	4.1%	20,537	-	-	-	20,537
Total		23,209	1,891	-	-	25,100
2009						
Cash	1%	1,267	-	-	-	1,267
Amounts owed by Group undertakings		-	3,233	-	-	3,233
<u>Variable interest rate instruments</u>						
Amounts owed by Group undertakings	8.2%	10,387	-	-	-	10,387
Total		11,654	3,233	-	-	14,887