

Company Registration No. 04056975

Raymarine Holdings Limited

Report and Financial Statements

31 December 2009

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Raymarine Holdings Limited

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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 2009

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

Business review

The loss for the year after taxation amounted to £1.6m (2008: £1.3m loss) and was transferred to reserves. During the year the Company's investments in Raymarine Inc, a fellow group undertaking, was impaired by £2,780k following a review of carrying values in light of the current economic climate (see Note 13).

Details of any significant events since the balance sheet date are contained in Note 24 to the financial statements.

The steep decline in sales for the Group of which the company is part, whilst in line with that experienced by the market as a whole, combined with the related reduction in gross margins has meant that the Group has been engaged in discussions throughout the year with its banking group to restructure itself, resulting in £2.8m of non-recurring costs being incurred during 2009. The ultimate parent company Raymarine plc sold Raymarine Holdings Ltd and its subsidiaries to FLIR Systems Holdings AB (Sweden) on 14 May 2010. As of the date of this report the ultimate parent company is FLIR Systems Inc.

There have not been any significant changes in the company's principal activities in the year under review, and the directors are not aware, at the date of this report, of any likely major changes in the company's activities in the next year.

Dividends

The directors do not recommend a final dividend (2008: nil).

Research and development

The Company sub-contracted its research and development costs for its entry level products to Raymarine Inc. At the end of December 2007 the Fort Lauderdale research and development centre run by Raymarine Inc. was closed and the work transferred to a fellow Group subsidiary in the UK. The research and development costs of £1.0m (2008: £1.3m) were due to amortisation and impairment of previously capitalised costs.

Directors

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

Tony Osbaldiston	resigned 15 May 2010
Peter Ward	resigned 14 May 2010
Thomas Surran	appointed 14 May 2010
Andrew Teich	appointed 14 May 2010

Charitable and political contributions

The Company made no political or charitable donations during the year (2008: £nil).

Going concern and liquidity risk

The Group agreed new credit facilities with its banking group on 23 December 2008, but the subsequent severity of the market decline and the consequent, unprecedented falls in sales and margins were not foreseen. As a result of this greater than anticipated fall in sales and profits, net debt remained higher than expected, leaving the Group with little facility headroom. The Group was given a waiver from testing its bank covenants as at 30 June 2009 and, subsequently, under a succession of very short term covenant waivers it has held discussions with its banking group with a view to resolving the provision of its borrowing facilities and financial structure.

Raymarine Holdings Limited

Director's report (continued)

On the 14th May 2010 the Company was purchased by FLIR Systems Inc (USA) Incorporated in the USA. In May 2010 FLIR Systems Holding AB provided an inter company loan to the acquired Group resulting in all obligations to the bank being repaid. Subsequently on 12 July 2010 FLIR Systems Holding AB irrevocably and unconditionally waived all of its right to receive repayment of all and any of its indebtedness from the acquired Group.

The Group's forecasts and projections, which allow for reasonably possible changes in trading performance, show that the Group will be cash generative across the forecast period. As a consequence, the directors believe that the Group is well-placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries and receiving confirmation of Group support on the basis set out above, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Auditors

In the case of each person who is a director of the Company at the date when this report is approved

- so far as each of the directors is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information (as defined) and to establish that the Company's auditors are aware of that information.

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

Deloitte LLP have expressed their willingness to continue in office as auditors of the Company and their re-appointment will be put to members at the Annual General Meeting.

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

By order of the Board



Thomas Surran
Director

26 November 2010

Directors' responsibility statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the parent company financial statements under IFRSs as adopted by the EU. Under company law the directors must not approve the accounts 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, International Accounting Standard 1 requires that directors

- properly select and apply accounting policies,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance, and
- make an assessment of the company's ability to continue as a going concern

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Responsibility statement

We confirm that to the best of our knowledge

- the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole, and
- the Operating and Finance reviews, which are incorporated into the directors' report, includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face

By order of the Board



Thomas Surran

Director

26 November 2010

Independent auditors' report to the members of Raymarine Holdings Limited

We have audited the financial statements of Raymarine Holdings Limited for the year ended 31 December 2009 which comprise the Income Statement, the Statement of Comprehensive Income, the Statements of Changes in Equity, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 auditors' 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 auditors

As explained more fully in the Directors' Responsibilities Statement, 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 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

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 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRS as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

As explained in Note 2 to the financial statements, the company in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the financial statements comply with IFRSs as issued by the IASB.

Opinion on other matter prescribed by the Companies Act 2006

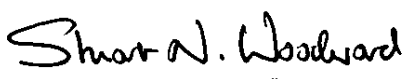
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report to the members of Raymarine Holdings Limited (continued)

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



Stuart Woodward (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Southampton, United Kingdom
26 November 2010

Raymarine Holdings Limited

Income statement

Year ended 31 December 2009

	Note	2009 £'000	2008 £'000
Revenue	3	176	249
Cost of sales		(27)	(117)
Gross profit		149	132
Distribution costs			
Administrative expenses			
- Research and development	4,5	(1,041)	(1,330)
- Impairment of investments	4, 13	(2,780)	(8,354)
- Amortisation of patents and know-how	11	(725)	(726)
- Other administrative expenses	4,5	(3,111)	(330)
		(7,657)	(10,740)
Restructuring costs	4	9	(179)
Operating loss	5	(7,499)	(10,787)
Operating loss can be analysed as			
Operating loss before exceptional items and amortisation and impairment of intangibles		(774)	(1,109)
Non-recurring costs	4	(2,773)	(169)
Restructuring costs	4	9	(179)
Impairment of investments	5	(2,780)	(8,354)
Amortisation of acquired intangibles		(726)	(726)
Impairment of capitalised development costs	4	(455)	(250)
Operating loss		(7,499)	(10,787)
Income from shares in Group undertakings	3	7,578	14,992
Finance income	8	2,403	1,044
Finance costs	9	(5,682)	(9,552)
Loss before tax		(3,200)	(4,303)
Tax credit	10	1,606	3,024
Loss for the year attributable to shareholders of the parent	22	(1,594)	(1,279)

All results relate to continuing activities

There are no recognised gains or losses other than the profit for the periods reported above. Accordingly, no separate Statement of Recognised Income and Expenditure has been presented. Movements on reserves are given in Notes 21 to 22.

Raymarine Holdings Limited

Statement of comprehensive income For the year ended 31 December 2009

	2009 £'000	2008 £'000
Loss for the year	(1,594)	(1,279)
Cash flow hedges		
Loss on cash flow hedges	(787)	-
Reclassification adjustments for losses included in profit	407	-
	<hr/>	<hr/>
Other comprehensive loss	(380)	-
Tax relating to components of other comprehensive loss		
Relating to cash flow hedges	106	-
	<hr/>	<hr/>
Other comprehensive loss for the year	(274)	-
	<hr/>	<hr/>
Total comprehensive income and expense for the year attributable to shareholders of the parent	(1,868)	(1,279)
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Raymarine Holdings Limited

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 18)	-	106	-	106
Total comprehensive income and expense for the year	-	(274)	(1,594)	(1,868)
At 31 December 2009	-	365	(1,530)	(1,165)

Statement of changes in equity

For the year ended 31 December 2008

	Equity attributable to shareholders of the parent			
	Share capital £'000	Hedging & translation reserves £'000	Retained earnings £'000	Total equity £'000
At 1 January 2008	-	639	1,343	1,982
Loss for the year	-	-	(1,279)	(1,279)
Total comprehensive income and expense for the year	-	-	(1,279)	(1,279)
At 31 December 2008	-	639	64	703

Raymarine Holdings Limited

Balance sheet

At 31 December 2009

	Note	2009 £'000	2008 £'000
Non-current assets			
Intangible fixed assets	11	1,932	3,650
Property, plant and equipment	12	37	64
Investments	13	78,219	86,234
Deferred tax assets	18	160	-
		<u>80,348</u>	<u>89,948</u>
Current assets			
Other receivables	14	89	37
Amounts owed by Group undertakings	14	13,620	10,965
Tax receivable		8,592	7,522
Cash and cash equivalents		1,267	10,853
		<u>23,568</u>	<u>29,377</u>
Current liabilities			
Bank overdraft	16	1,365	-
Borrowings	16	90,652	-
Trade and other payables	15	1,600	653
Amounts owed to Group undertakings	15	11,084	14,732
Derivative financial instruments	17	380	-
Short-term provisions	19	-	83
		<u>105,081</u>	<u>15,468</u>
Net current (liabilities)/ assets		<u>(81,513)</u>	<u>13,909</u>
Non-current liabilities			
Borrowings	16	-	102,633
Deferred tax liabilities	18	-	521
		<u>-</u>	<u>103,154</u>
Net (liabilities)/ assets		<u>(1,165)</u>	<u>703</u>
Equity			
Share capital	20	-	-
Hedging and translation reserves	21	365	639
Retained earnings	22	(1,530)	64
Equity attributable to shareholders of the parent		<u>(1,165)</u>	<u>703</u>

The financial statements of Raymarine Holdings Limited, registered number 04056975, were approved by the Board of directors and authorised for issue on 26 November 2010. They were signed on its behalf by



Tom Surran
Director

Raymarine Holdings Limited

Cash flow statement

Year ended 31 December 2009

	Note	2009 £'000	2008 £'000
Net cash used in operating activities	23	(8,364)	(2,698)
Investing activities			
Income from shares in Group undertakings		7,578	14,992
Expenditure on product development		-	(234)
Acquisition of subsidiaries		-	(360)
Repayment of long term loan		651	-
Net cash from investing activities		8,229	14,398
Financing activities			
Proceeds from borrowings		2,021	26,095
Repayments of borrowings		(9,331)	(7,481)
Repayments of intercompany borrowings		(3,506)	(19,464)
Net cash used in financing activities		(10,816)	(850)
Net (decrease)/increase in cash and cash equivalents		(10,951)	10,850
Cash and cash equivalents at beginning of year		10,853	3
Cash and cash equivalents at end of year		(98)	10,853
Net debt¹		101,712	106,339

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 2009

1. General information

Raymarine Holdings Limited is a company incorporated and domiciled in the United Kingdom under the historical convention and in acceptance 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.

Adoption of new and revised standards

In the current year, the following new and revised Standards and Interpretations have been adopted and have affected the amounts reported in these financial statements:

Standards affecting presentation and disclosure

IFRS 7 – Financial Instruments Disclosures – The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk. The Company has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in these amendments.

IAS 1 (revised 2007) – Presentation of Financial Statements – has introduced a number of changes in the required format and content of financial statements. In addition, the revised Standard requires the presentation of a third balance sheet where comparatives have been affected by these changes. The Company has not presented a third balance sheet in their financial statements at 31 December 2009 because no retrospective changes in accounting policies, restatements or reclassifications of comparatives have resulted following introduction of the revised standard.

IAS 23 (revised 2007) – The principal change to the Standards was to eliminate the option to expense all borrowing costs when incurred. This change has had no impact on these financial statements because it has always been the Company's accounting policy to capitalise borrowing costs incurred on qualifying assets.

IFRIC 16 – Hedges of a Net Investment in a Foreign Operation – The Interpretation provides guidance on the detailed requirements for net investment hedging for certain hedge accounting designations.

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):

IFRS 1 (amended) / IAS 27 (amended) – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

IFRS 3 (revised 2008) – Business Combinations

IAS 27 (revised 2008) – Consolidated and Separate Financial Statements

IAS 28 (revised 2008) – Investments in Associates

IFRIC 17 – Distributions of Non-cash Assets to Owners

Improvements to IFRSs (April 2009)

Notes to the financial statements

1. General information (continued)

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 subsidiaries and associates when IFRS 3 (revised 2008), IAS 27 (revised 2008) and IAS 28 (revised 2008) come into effect for business combinations for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 July 2009

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 is exempt from the obligation to prepare and deliver group accounts because it meets all the conditions set out in IAS 27. As at 31 December 2009 the Company is a wholly owned subsidiary of Raymarine plc whose consolidated accounts are available from the registered office given on page 2

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

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

Notes to the financial statements

2. Significant accounting policies (continued)

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 sub-divided 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.

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.

Notes to the financial statements

2. Significant accounting policies (continued)

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.

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.

Notes to the financial statements

2. Significant accounting policies (continued)

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 and hedge accounting

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Company uses foreign exchange forward contracts to hedge these foreign exchange exposures. However, with the continuing uncertainty affecting the Company this has not been possible during 2009. The Company does not use derivative financial instruments for speculative purposes. Further details of derivative financial instruments are disclosed in Notes 17 and 26.

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.

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.

Notes to the financial statements

2. Significant accounting policies (continued)

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

(i) Investment in Group undertakings

The carrying value of investment in shares in Group undertakings is given in more detail in Note 13. 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 prepares 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.

Notes to the financial statements

2. Significant accounting policies (continued)

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 26, 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

	2009 £'000	2008 £'000
Royalty income	176	249
Income from shares in Group undertakings	7,578	14,992
Finance income	1,539	1,044
	<u>9,293</u>	<u>16,285</u>

4. Exceptional items

(a) Non-recurring items

	2009 £'000	2008 £'000
Included in administrative expenses		
- Abortive acquisition cash	-	169
- Legal and consultancy costs	2,773	-
- Impairment of investment in Group undertaking	2,780	8,354
	<u>5,553</u>	<u>8,523</u>

During 2009 legal and consultancy fees have been incurred in connection with the refinancing and strategic reviews of the business.

The tax effect of the above items in 2009 was a credit of £0.1m (2008: £0.1m).

Raymarine Holdings Limited

Notes to the financial statements

4. Exceptional items (continued)

(b) Restructuring costs

	2009 £'000	2008 £'000
Redundancy costs	-	39
Consultancy and other staff related costs	(9)	55
Impairment of fixed assets	-	85
	<u>(9)</u>	<u>179</u>

The redundancy, transfer costs and loss on disposal costs related to the closure of the Fort Lauderdale research and development centre. The consultancy costs relate to costs associated with the Group wide restructuring, £9k of which was reversed in 2009. The tax effect of the restructuring costs in 2009 was a credit of £nil (2008 £51k)

(c) Impairment of intangibles

	2009 £'000	2008 £'000
Impairment of capitalised development cost	<u>455</u>	<u>250</u>

An impairment of capitalised development cost has been recognised in respect of reduced demand for product in the current economic climate

5. Operating loss

Operating loss is stated after charging

	2009 £'000	2008 £'000
Research and development costs		
Research and development costs expensed	49	5
Amortisation of capitalised development costs	538	1,075
Impairment of capitalised development costs (Note 4)	455	250
Amortisation of other intangible assets (Note 11)	726	726
Depreciation and other amounts written off property, plant and equipment		
Owned (Note 12)	27	96
(Profit)/ loss on disposal and write off of fixed assets	(2)	85
Abortive acquisition costs (Note 4)	-	169
Impairment of investment in Group undertaking (Note 4)	2,780	8,354
Auditors' remuneration for audit services (see below)	<u>99</u>	<u>23</u>

Raymarine Holdings Limited

Notes to the financial statements

5. Operating loss (continued)

The analysis of auditor's remuneration is as follows

	2009 £'000	2008 £'000
Fees payable to the Company's auditors for the audit of the Company's annual accounts	99	23
<i>Total audit fees</i>	99	23
Other services pursuant to legislation		
- Tax services related to		
- Compliance	2	3
- Restructuring	-	7
<i>Total non-audit fees</i>	2	10

A description of the work of the Audit Committee is set out in the Corporate Governance Statement of Raymarine plc and includes an explanation of how auditor objectivity and independence is safeguarded when the auditors provide non-audit services

6. Remuneration of directors

The total directors' remuneration, which is borne by a fellow subsidiary, was £0.8m (2008: £0.8m). 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 are directors.

7. Staff numbers and costs

The Company had no employees other than directors during the year (2008: nil).

8. Finance income

	2009 £'000	2008 £'000
Interest receivable from Group undertakings	1,533	1,017
Interest and dividend income	6	27
Foreign exchange gains on non-operating earnings	864	-
	2,403	1,044

Raymarine Holdings Limited

Notes to the financial statements

9. Finance costs

	2009 £'000	2008 £'000
Interest payable on bank loans	5,682	4,587
Total borrowing costs	<u>5,682</u>	<u>4,587</u>
Foreign exchange losses on non-operating earnings	-	4,965
	<u>5,682</u>	<u>9,552</u>

10. Taxation

	2009 £'000	2008 £'000
Current tax		
UK corporation tax		
Current year	(1,057)	(2,575)
Adjustment recognised in period for current tax of prior periods	26	6
Current tax credit for year	<u>(1,031)</u>	<u>(2,569)</u>
Deferred tax (Note 18)		
Current year	(488)	(459)
Adjustment recognised in period for deferred tax of prior periods	(87)	4
	<u>(575)</u>	<u>(455)</u>
Total tax credit	<u>(1,606)</u>	<u>(3,024)</u>

The tax credit for the year is higher (2008 higher) than the standard rate of corporation tax in the UK of 28% (2008 28.5%)

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

	2009 £'000	%	2008 £'000	%
Loss before tax	<u>(3,200)</u>		<u>(4,303)</u>	
Tax at the UK corporation tax rate of 28% (2008 28.5%)	(896)		(1,226)	
Dividend income not taxable	(2,122)		(4,273)	
Prior year adjustments	(61)		10	
Tax effect of expenses that are not deductible in determining taxable profit	<u>1,473</u>		<u>2,465</u>	
Tax credit and effective tax rate for the year	<u>(1,606)</u>	<u>(50.2%)</u>	<u>(3,024)</u>	<u>(70.3%)</u>

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 crystallise if Raymarine Inc were to sell its chargeable asset (goodwill) before 22 November 2010 or cease to be a 75% subsidiary of the Company at any time. The estimated tax charge that would arise is £4.4m. In accordance with IAS 12, no provision has been made for this.

Notes to the financial statements

11. Intangible fixed assets

	Goodwill £'000	Development expenditure £'000	Other £'000	Total £'000
Cost				
At 1 January 2008	442	4,779	7,254	12,475
Additions	-	233	-	233
	<hr/>	<hr/>	<hr/>	<hr/>
At 1 January 2009	442	5,012	7,254	12,708
Disposals	-	(3,581)	-	(3,581)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2009	442	1,431	7,254	9,127
Amortisation				
At 1 January 2008	-	(1,936)	(5,016)	(6,952)
Charge for the year	-	(1,075)	(726)	(1,801)
	<hr/>	<hr/>	<hr/>	<hr/>
At 1 January 2009	-	(3,011)	(5,742)	(8,753)
Charge for the year	-	(538)	(726)	(1,264)
Disposals	-	2,822	-	2,822
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2009	-	(727)	(6,468)	(7,195)
Impairment				
At 1 January 2008	-	(55)	-	(55)
Charge for the year	-	(250)	-	(250)
	<hr/>	<hr/>	<hr/>	<hr/>
At 1 January 2009	-	(305)	-	(305)
Charge for the year	-	(455)	-	(455)
Disposals	-	760	-	760
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2009	-	-	-	-
Net book value				
At 31 December 2009	442	704	786	1,932
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2008	442	1,696	1,512	3,650
	<hr/>	<hr/>	<hr/>	<hr/>

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

Raymarine Holdings Limited

Notes to the financial statements

12. Property, plant and equipment

	Tools and equipment £'000
Cost	
At 1 January 2008	920
Disposals	(5)
At 1 January and 31 December 2009	915
Accumulated depreciation	
At 1 January 2008	(583)
Charge for the year	(96)
Disposals	2
At 1 January 2009	(677)
Charge for the year	(27)
At 31 December 2009	(704)
Impairment	
At 1 January 2008	(89)
Charge for the year	(85)
At 1 January and 31 December 2009	(174)
Net book value	
At 31 December 2009	37
At 31 December 2008	64

13. Fixed asset investments

Details of the Company's subsidiaries at 31 December 2009 are as follows

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

*Investment held by a subsidiary

The exchange movements on the US Dollar denominated loans to Group undertakings and a portion of the shares in Group undertakings are naturally hedged by the US Dollar denominated debt (Note 17)

The exchange movements on the Euro denominated portion of the shares in Group undertakings are naturally hedged by the Euro denominated debt (Note 17)

Notes to the financial statements

13. Fixed asset investments (continued)

The exchange movements on the Australian Dollar denominated portion of the shares in Group undertakings are naturally hedged by the Australian Dollar denominated debt (Note 17)

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 11% (2008 10%) 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.

Due to the worsening of the economic market conditions during 2009 in the US market the carrying value by the end of the year of the Company's investment in Raymarine Inc was in excess of the value in use by £2.8m, and hence an impairment has been recorded.

	Shares in Group undertakings £'000	Loans to Group undertakings £'000	Total £'000
Cost			
At 1 January 2008	55,102	5,240	60,342
Exchange differences	7,537	7,206	14,743
Additions	6	19,802	19,808
Disposals	-	(659)	(659)
Acquisitions	354	-	354
At 1 January 2009	62,999	31,589	94,588
Exchange differences	(2,347)	(2,662)	(5,009)
Transfer	536	(536)	-
Decrease	-	(651)	(651)
At 31 December 2009	61,188	27,740	88,928
Impairment			
At 1 January 2008	-	-	-
Charge for the year	(7,203)	(1,151)	(8,354)
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 31 December 2009	(8,816)	(1,893)	(10,709)
Net book value			
At 31 December 2009	52,372	25,847	78,219
At 31 December 2008	55,796	30,348	86,234

Raymarine Holdings Limited

Notes to the financial statements

14. Financial assets

Other receivables

	2009 £'000	2008 £'000
Other debtors	89	37

Amounts owed by Group undertakings

	2009 £'000	2008 £'000
Amounts owed by Group undertakings	13,620	10,965
Amount due for settlement within 12 months (shown under current assets)	13,620	10,965
	13,620	10,965

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 bank balances and cash, 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.

Raymarine Holdings Limited

Notes to the financial statements

15. Financial liabilities

Trade and other payables

	2009 £'000	2008 £'000
Trade payables	37	11
Accruals and deferred income	1,563	642
	<u>1,600</u>	<u>653</u>

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

	2009 £'000	2008 £'000
Intercompany creditor	122	173
Intercompany debt	10,962	14,559
	<u>11,084</u>	<u>14,732</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 owed to Group undertakings approximates their fair value

16. Bank borrowings

	2009 £'000	2008 £'000
Unsecured – at amortised cost		
Current		
Bank overdrafts	1,365	-
Secured – at amortised cost		
Current		
Bank loans (i)	91,133	-
Less amortised bank costs	(481)	-
	<u>90,652</u>	<u>-</u>
Non-current		
Bank loans (i)	-	103,894
Less amortised bank costs	-	(1,261)
	<u>-</u>	<u>102,633</u>
	<u>92,017</u>	<u>102,633</u>
The borrowings are repayable as follows		
On demand or within one year	92,498	-
In the second to fifth years inclusive	-	103,894
	<u>92,498</u>	<u>103,894</u>

- (i) The bank loans are secured by first fixed and floating charges over the present and future assets of the Raymarine Group (other than those of Deck Marine SpA)

Raymarine Holdings Limited

Notes to the financial statements

16. Bank borrowings (continued)

	Sterling £'000	US Dollar £'000	EUR £'000	AUD £'000	Total £'000
Analysis of borrowings by currency:					
31 December 2009					
Bank overdraft	-	-	1,365	-	1,365
Bank loans	<u>16,530</u>	<u>25,745</u>	<u>42,098</u>	<u>6,760</u>	<u>91,133</u>
31 December 2008					
Bank loans	<u>21,000</u>	<u>31,862</u>	<u>45,243</u>	<u>5,789</u>	<u>103,894</u>

	2009	2008
	%	%
The weighted average interest rates paid were as follows		
Bank loans	<u>6.0%</u>	<u>5.0%</u>

On 28 October 2009 the Group reached an agreement with its banks to amend its existing credit facilities and provide additional funding of £15m, which subsequently became effective on 9 December 2009. Under the revised credit facilities agreement the margin payable under the USD 75m and EUR 56.5m facilities was amended to 4.25% over LIBOR. All loans are drawn down in the name of Raymarine Holdings Limited with the exception of £6m drawn by Raymarine plc. Funding provided under the additional multi currency £15m facility is provided at a margin of 4.5% over LIBOR. The Company reached agreement with its banks on the 18 March 2010 to extend the term of the facilities to 30 September 2010, as a consequence the bank loans have all been included as due in less than one year.

Since May 2009 the Group has been obliged to pay an additional fee of £50,000 per month to Lloyds Bank. During 2009 Raymarine has paid a total of £625,000 in fees in respect of the covenant waivers granted.

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

	2009	2008
	£'000	£'000
Bank overdraft	1,365	-
Bank loans	<u>91,133</u>	<u>103,894</u>
	<u>92,498</u>	<u>103,894</u>

At 31 December 2009, the Group had available £15.7m (2008: £10.7m) of undrawn committed borrowing facilities.

Subsequent to the year end all bank loans have been repaid.

Notes to the financial statements

17. Derivative financial instruments

Interest rate derivatives

The notional principal amounts at 31 December 2009 totalled £67.4m. At 31 December 2009 the floating rate applicable was LIBOR. Gains and losses recognised in reserves on interest rate swap contracts as of 31 December 2009 will be continuously released to the income statement over the life of the swap contract.

The interest rate swap agreements are used to reduce the cash flow volatility arising from changes in LIBOR rates payable on bank debt. The Company agrees 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 2009, the fair value of the Company's interest rate derivatives is a liability of £0.4m (2008: £nil). The 2009 amounts are based on quoted market values of equivalent instruments at the balance sheet date. The fair value of interest rate derivatives that were designated and effective as cash flow hedges, amounting to a liability of £0.4m in 2009 (2008: £nil) before related deferred tax, was deferred in equity.

	2009 £'000	2008 £'000
Derivatives		
Interest rate swaps – cash flow hedges	<u>380</u>	<u>-</u>

For further details of derivative instruments see Note 26.

Fair value hedge of investment in foreign entity

The Company has US Dollar denominated borrowings that it has 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 2009 was £13.6m (2008: £15.1m). Foreign exchange gains of £1.5m (2008: losses of £4.1m) on translation of the borrowings designated as a hedge into Pounds Sterling have been recognised through the Income Statement.

The Company has Euro denominated borrowings which it has designated as a hedge of the net investment in its subsidiaries in France and Germany. The fair value of the Euro borrowings hedging the net investment as at 31 December 2009 was £32.7m (2008: £33.4m). Foreign exchange gains of £2.7m (2008: gains of £8m) on translation of the borrowings designated as a hedge into Pounds Sterling have been recognised through the Income Statement.

The Company has Australian Dollar denominated borrowings which it has 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 2009 was £1.7m (2008: £1.4m). Foreign exchange losses of £0.3m (2008: loss of £0.1m) on translation of the borrowings designated as a hedge into Pounds Sterling have been recognised through the Income Statement.

Raymarine Holdings Limited

Notes to the financial statements

18. 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 2008	215	761	-	976
Credit to income	(153)	(286)	(16)	(455)
At 1 January 2009	62	475	(16)	521
Charge/ (credit) to income*	(313)	(278)	16	(575)
Credit to equity	-	-	(106)	(106)
- As 31 December 2009	(251)	197	(106)	(160)

* See note 10

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

	2009 £'000	2008 £'000
Deferred tax liabilities	-	521
Deferred tax assets	(160)	-
	(160)	521

19. Provisions

	Restructuring provision £'000
Balance at 31 December 2007	78
Utilised in the year	(42)
Additional provision in the year	47
Balance at 31 December 2008	83
Utilised in the year	(83)
Balance at 31 December 2009	-

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

Raymarine Holdings Limited

Notes to the financial statements

20. Share capital

	2009 £'000	2008 £'000
Authorised. Equity 1,000 (2008 1,000) ordinary shares of £1 00 each	<u>1</u>	<u>1</u>
Issued and fully paid Equity 1 (2008 1) ordinary share of £1 00 each	<u>-</u>	<u>-</u>

21. Hedging and translation reserve

	Hedging reserve £'000	Translation reserve £'000	Total £'000
Balance at 1 January 2008 and 2009	-	639	639
Fair value gains 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

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 in 2005. Both reserves are considered to be non distributable.

22. Retained earnings

	£'000
Balance at 1 January 2008	1,343
Net loss for the year	<u>(1,279)</u>
Balance at 1 January 2009	64
Net loss for the year	<u>(1,594)</u>
Balance at 31 December 2009	<u>(1,530)</u>

Raymarine Holdings Limited

Notes to the financial statements

23. Notes to the cash flow statement

	2009 £'000	2008 £'000
Operating loss	(7,499)	(10,787)
Adjustments for		
Depreciation of property, plant and equipment	27	96
Impairment loss on tools and equipment	-	85
Impairment loss on investments	2,780	8,354
Amortisation of intangible assets	1,264	1,801
Impairment loss on intangible assets	455	250
(Profit)/loss on disposal of property, plant and equipment	(2)	3
Operating cash flows before movements in working capital	(2,975)	(198)
Increase in receivables	(52)	(30)
Increase in payables	861	534
Decrease in intercompany receivables	445	128
(Decrease)/increase in intercompany payables	(50)	967
Cash (used in)/ generated by operations	(1,771)	1,401
Interest received	1,557	1,043
Interest paid	(8,002)	(4,740)
Foreign exchange	(110)	(402)
Tax paid	(38)	-
Net cash used in operating activities	(8,364)	(2,698)

Reconciliation of net debt	1 Jan 2009	Foreign exchange	Cash flow	Non-cash	31 Dec 2009
Cash in hand and at bank	10,853	-	(10,951)	1,365	1,267
Overdrafts	-	-	-	(1,365)	(1,365)
Borrowings due within 1 year	-	-	-	(90,652)	(90,652)
Intercompany debt due within 1 year	(14,559)	110	3,506	(19)	(10,962)
	(3,706)	-	(7,335)	(90,671)	(101,712)
Debt due after 1 year	(102,633)	5,450	9,633	87,550	-
Net debt	(106,339)	5,560	2,188	(3,121)	(101,712)

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

Notes to the financial statements

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

Until 14 May 2010 the ultimate parent undertaking was Raymarine plc, a company incorporated in Great Britain and registered in England and Wales. The consolidated financial statements of this group are available to the public and may be obtained from Raymarine, Marine House, 5 Harbourgate, Southampton Road, Portsmouth, Hampshire, PO6 4BQ. No other group financial statements include the results of the Company for the year ended 2009.

Subsequent to the year end, as part of the sale of Raymarine Holdings to FLIR Systems Inc, all banking facilities have been repaid.

On the 14th May 2010 the Group was purchased by FLIR Systems Inc (USA) Incorporated in the USA. In May 2010 FLIR Systems Holding AB provided an inter company loan to the Group resulting in all obligations to the bank being repaid. Subsequently in 2010 FLIR Systems Holding AB irrevocably and unconditionally waived all its right to receive repayment of all and any of its indebtedness from the Group.

25. Related party transactions

During the year the Company paid no dividends to its parent, Raymarine plc (2008: £nil). During the year the Company received dividends from its subsidiary companies in the amount of £7,578k (2008: £14,992k).

26. 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 16, cash and cash equivalents, and equity attributable to shareholders of the parent, comprising issued share capital, reserves and retained earnings as disclosed in Notes 20 to 22.

(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.

The gearing ratio at the year end is as follows:

	2009 £'000	2008 £'000
Borrowings	90,652	102,633
Intercompany debt	10,962	14,559
Cash and cash equivalents	(1,267)	(10,853)
Overdraft	1,365	-
Net debt	101,712	106,339
Equity	1,615	703
Net debt to equity ratio ¹	98%	99%

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 16.

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

26. Financial instruments (continued)

(d) Categories of financial instruments

	2009 £'000	2008 £'000
Financial assets:		
At amortised cost		
Cash	1,267	10,853
Amounts owed by Group undertakings	13,620	10,965
Financial liabilities:		
At amortised cost		
Trade payables	37	11
Amounts owed to Group undertakings	11,084	14,732
Bank overdraft	1,365	-
Bank loans	90,652	102,633
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 organisation.

(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. However, with the continuing uncertainty affecting the Company this has not been possible during 2009. 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).

Changes in foreign currency exchange rates

The Company has foreign currency investments in overseas subsidiary companies. To manage the foreign currency exchange exposure on these investments, the Company attempts to naturally hedge its exposure by drawing down equivalent levels of debt in the underlying investment currency.

Notes to the financial statements

26. Financial instruments (continued)

Changes in interest rates

The current borrowing costs are 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

As a condition to the amendment of the credit facility in March 2009, the Company has entered into hedging arrangements to hedge part of its risks to variable LIBOR rates. At 31 December 2009, the Company had entered into amortising interest rate swap agreements to initially hedge USD 31.3m, AUD 10m, EUR 40m and GBP 4m to 1 April 2010 dropping to USD 23.5m, AUD 7.5m and EUR 30.0m thereafter until 31 March 2011. These swap agreements hedge monthly floating rate interest rate exposures, where the Company agrees to pay interest quarterly at a fixed rate of interest.

Foreign currency sensitivity

In 2009 and 2008 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.

	2009		2008	
	Increase/ (decrease) in income £'000	Increase/ (decrease) in equity £'000	Increase/ (decrease) in income £'000	Increase/ (decrease) in equity £'000
USD	488	598	1,097	1,309
EUR	630	845	555	735
AUD	407	474	392	456
	<u>1,525</u>	<u>1,917</u>	<u>2,044</u>	<u>2,500</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 2009, there were no such contracts in place (2008 nil).

(g) Interest rate risk management

The Company is exposed to interest rate risk as it borrows funds at floating interest rates. The Company keeps under review the appropriateness of fixing interest rates on its borrowings, and further to the amendment of the credit facilities agreement in March 2009 the Company has entered into interest rate swap agreements to hedge its exposure to changes in the variable rates of interest based on LIBOR payable on bank debt.

Under the swap contracts, the Company agrees 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 2009 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

26. Financial instruments (continued)

(g) Interest rate risk management (continued)

	Fixed rate		Swap notional	
	2009	2008	2009	2008
	%	%	£'000	£,000
Current	1.89%	-	4,000	-
Non current	2.01%	-	60,742	-
			<u>64,742</u>	<u>-</u>

Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest on the financial instrument balances at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period

At the reporting date, if interest rates had been 10 per cent higher/lower and all other variables were held constant, the Company's net profit would have increased/decreased by £64k (2008 £454k). This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings. 10 per cent have been used as this has been deemed as a reasonably possible movement.

The Company's sensitivity to interest rates has reduced during the current period mainly due to the reduced exposure to variable rate debt instruments as a consequence of the above mentioned swap contracts.

(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 2009 the Group had £15.7m (2008 £10.7m) of undrawn facilities that the Company has at its disposal to further reduce liquidity risk (see Note 16).

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

26. Financial instruments (continued)

(1) Liquidity risk management (continued)

2009	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
Non-interest bearing						
Trade payables		-	37	-	-	37
Amounts owed to Group undertakings		-	122	-	-	122
		-	160	-	-	160
Variable interest rate instruments						
Loan from Group undertakings	5.5%	11,084	-	-	-	11,084
Overdraft	5.4%	-	1,365	-	-	1,365
Bank loans	6.0%	-	-	91,133	-	91,133
Sub total		11,084	1,365	91,133	-	103,582
Less bank loans*	6.0%	-	-	(91,133)	-	(91,133)
Total		11,084	1,365	-	-	12,449

* Note Although the bank loans have a contractual three month maturity date, the Group also has a contractual right to draw down up to £112m (\$75m and €56.5m and £15m) under the existing facilities. The current credit arrangement facility is due to expire on 30 September 2010.

2008	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
Non-interest bearing		11	-	-	-	11
Variable interest rate instruments						
Loan from Group undertakings	5.7%	14,732	-	-	-	14,732
Bank loans	5.0%	-	103,894	-	-	103,894
Sub total		14,743	103,894	-	-	118,637
Less bank loans*		-	(103,894)	-	-	(103,894)
Total		14,743	-	-	-	14,743

Notes to the financial statements

26. Financial instruments (continued)

(i) 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.

2009	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		1,267	-	-	-	1,267
Amounts owed by Group undertakings		-	3,233	-	-	3,233
Variable interest rate instruments						
Amounts owed by Group undertakings	8.2%	10,387	-	-	-	10,387
Total		11,654	3,233	-	-	14,887

2008	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	1%	10,853	-	-	-	10,853
Variable interest rate instruments						
Amounts owed by Group undertakings	5.6%	965	10,280	-	-	11,245
Total		11,818	10,280	-	-	22,098