

# Financial Statements Helmet Integrated Systems Limited

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For the year ended 31 December 2016



Registered number: 2766754

## Helmet Integrated Systems Limited

### Company Information

<b>Directors</b>	L Frieder III H Acker R Dellar
<b>Company secretary</b>	C Watson
<b>Registered number</b>	2766754
<b>Registered office</b>	Unit 3 Focus 4 Fourth Avenue Letchworth Hertfordshire SG6 2TU
<b>Independent auditor</b>	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor Grant Thornton House 202 Silbury Boulevard Milton Keynes MK9 1LW

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## **Strategic report**

**For the year ended 31 December 2016**

### **Introduction**

The principal activity of the Company ("HISL") during the year was the design, manufacture, assembly, testing and marketing of protective headgear for military and civilian aircrew, the emergency and law enforcement services, together with respiratory equipment for use in a variety of industrial applications.

Where appropriate HISL provides associated equipment such as radio communication systems, active noise reduction, microphones (including bone conductive), earphones and consumables such as filters and battery packs. HISL also undertakes funded research and design engineering as a subcontractor to a number of major international corporations to meet their specific requirements. In other areas research and development is undertaken, either as new initiatives for additional products, or to update and improve existing products.

During 2016, a rebranding exercise was undertaken to reflect the Company's acquisition by Gentex Corporation in July 2014. The company has commenced trading as "Gentex Europe", although legally and contractually will retain the name of Helmet Integrated Systems Limited with the registration number 2766754.

### **Business review**

Turnover for the year showed a 22% decrease on the previous year. This was accounted for by the completion, in 2015, of the deliverable phase of the supply of aircrew helmets and spares for the French DGA which amounted to £3,653,166.

Results for the year were adversely affected by the failure of UK MoD to issue a follow on to the contract, that expired in October 2014, for the supply of aircrew helmets and spares. Due to Strategic Defence Reviews and UK Government spending restraints, a new 5 year contract was not issued and signed until December 2016. Consequently the company was forced to implement a redundancy programme at its main production facility at Stranraer, resulting in the loss of 29 jobs and redundancy costs of approximately £220,000.

Operating profit before tax was £592,783 (2015 - £899,144) with an after tax a loss of £1,357,788 (2015 loss - £2,074,198).

Subsequent to Gentex Corporation acquiring HISL on 4 July 2014, a review of the manufacturing facilities of the whole Gentex group was undertaken. As a result, some of the products that had been manufactured and marketed by the company's US subsidiary, Interactive Safety Products Inc. ("ISPI") were transferred to other group facilities. The HISL board was of the opinion that an impairment in HISL's investment in ISPI had therefore occurred and a charge of £2,812,315 was made to the 2015 accounts. By 31 December 2016 the transfer of operations was complete and the remaining assets and liabilities were transferred to Gentex Corporation. A further impairment of £1,880,140 has been made in the 2016 accounts to reduce the value of the investment in ISPI to £nil.

Considerable investment continues to be made in new staff, primarily in the sales and manufacturing engineering functions to take advantage of the greater opportunities resulting from the change of ownership.

### **Principal risks and uncertainties**

The directors are of the opinion that the budget approved for 2017 is realistic and is based only on existing certified and approved products, with product upgrades and improvements providing the only internal risk area. External risks encompass parts obsolescence and the general political and economic risks and uncertainties.

HISL constantly monitors its supply chain relationships and in particular the potential risks associated with parts obsolescence (mainly, but not limited to, electronic components). Working closely with suppliers, HISL's purchasing departments identify items that are due to be made obsolete, and, if necessary instigate "last time buys" to ensure stock availability while alternatives can be sourced, evaluated and approved.

## Strategic report

For the year ended 31 December 2016

As a more general point, the worldwide political and economic uncertainties (in particular Brexit) has required the board to carefully balance:

- the need to control inflationary pressures on employee and overhead costs, as well as raw materials
- capital expenditure, and research and development costs
- new products and the updating of existing products
- control of working capital requirements

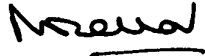
The board is determined that the future growth and success of HISL should be financed by internally generated funds without recourse to the banks

### Key performance indicators ("KPIs")

A number of KPIs are used by the company:

- orders by customer and product group are measured against budget on a weekly basis
- sales by product group and customer are compared to budget on a monthly basis and deliveries to customers are the subject of weekly production meetings to enable any remedial action to be taken
- cash is closely monitored and revised projections are completed quarterly in parallel with profit forecasts
- customer satisfaction – a system has now been established to review on a monthly basis and to take remedial action where appropriate
- departmental overheads are monitored on a monthly basis as part of the management accounting package

This report was approved by the board on 22nd May 2017 and signed on its behalf.



R Dellar  
Director

## Directors' report

For the year ended 31 December 2016

The directors present their report and the financial statements for the year ended 31 December 2016.

### Directors

The directors who served during the year were:

L Frieder III  
H Acker  
R Dellar

### Results and dividends

The loss for the year, after taxation, amounted to £1,357,788 (2015 - loss £2,074,198).

The statement of comprehensive income is set out on page 9 and shows the company's loss for the period.

The payment of dividends is decided by Gentex Corporation. The scenarios outlined in "Future developments" will require, over the ensuing 2 to 3 years, substantial additional working capital to finance higher levels of turnover, stock and work in progress and trade debtors. The board continues to consider that this expansion should be self-financing from within the company, and accordingly no dividends have been declared for the period.

### Financial controls

Annual budgets, phased by month, are agreed by the board, and, on a monthly basis, management accounts are compared with budget to highlight variances enabling remedial action to be taken when necessary. All balance sheet items are reconciled on a monthly basis, with the exception of stock which is verified at each year end by physical count. Quarterly cash flow forecasts are produced, analysed by individual weeks, and are monitored against the actual weekly cash flows.

Capital expenditure is controlled by requiring all proposals for expenditure to be approved by the board. Research and development private venture expenditure is only undertaken after a rigorous cost justification process has been undertaken, and the board is satisfied that a satisfactory return on investment will be achieved.

### Financial risk management policies

The board regularly reviews the financial requirements of the group and the risks associated therewith. HISL's operations historically has primarily been financed from retained earnings and bank borrowings and does not use complicated or derivative financial instruments for trading purposes other than forward exchange contracts.

The principal financial risks arising from HISL's activities are credit risk and exchange rate risk. These are monitored closely by the board. Credit risk is managed by obtaining credit checks on new commercial customers, using credit insurance wherever available and by monitoring payments against contractual agreements.

HISL's exchange rate exposure arises both from transactions with overseas customers denominated in foreign currency, and from its US subsidiary operations. The board will take steps to protect its anticipated foreign exchange cash inflows for the coming year by entering a series of forward exchange contracts and options with its bankers.

### Financial instruments

The board regularly reviews the financial requirements of the company and the risks associated therewith. HISL's operations historically have primarily been financed from retained earnings and bank borrowings and the company does not use complex or derivative financial instruments for trading purposes other than forward foreign exchange contracts.

## Directors' report (continued)

For the year ended 31 December 2016

### Charitable donations

During the year, the company made charitable donations of £415 (2015: £1,280).

### Future developments

In 2015 a review of the Gentex group's marketing and distribution strategy was completed and as a result HISL started to distribute some of Gentex's products outside of the US. In 2016 the range of products was expanded and a reciprocal arrangement was agreed whereby Gentex is now promoting HISL's products within its territories.

The company has taken advantage of a funding stream that has been made available by the Scottish Enterprise ("SE"), whose remit is to promote jobs for Scottish industry. Due to the number and complexity of the new products involved, negotiations with SE were protracted and as expenditure incurred before a signed agreement is executed is ineligible for funding, the directors resolved to pause the development programme. As a result, although the first of the new products (with potentially the largest sales growth) is expected to be launched at a major trade show in October, realistically revenue will not accrue until early 2018 and consequently none has been included in the 2017 budget.

The Business Review reported that a new 5 year contract with UK MoD was signed in December 2016. The 26 month gap between contracts has led to substantial equipment shortages within MoD and substantial orders have already been received from MoD to address this.

Overall, with the exception of sales to UK MoD and an increase in the distribution of Gentex manufactured products the directors have approved a budget that shows modest but sustainable growth in turnover and an acceptable improvement in operating profit.

Total sales order intake has made an encouraging start to the year (12% ahead of budget at the end of March) helped by the initial orders placed by MoD under the new contract.

### Qualifying third party indemnity provisions

During the period and up to the date of this report, the Company maintained liability insurance and third-party indemnification provisions for its directors, under which the Company has agreed to indemnify the directors to the extent permitted by law in respect of all liabilities to third parties arising out of, or in connection with, the execution of their powers, duties and responsibilities as directors of the Company.

### Post balance sheet events

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

*James*

*James*

## Directors' report (continued)

For the year ended 31 December 2016

### Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, 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 the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under Company law the directors must not approve the financial statements unless satisfied that they 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 for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

### Disclosure of information to auditor

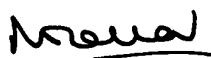
Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

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

### Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



R Dellar  
Director

Date: 22nd May 2017



## Independent auditor's report to the members of Helmet Integrated Systems Limited

We have audited the financial statements of Helmet Integrated Systems Limited for the year ended 31 December 2016, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is the applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), (United Kingdom Generally Accepted Accounting Practice) including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 on page 5, 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 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 Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **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 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.



## Independent auditor's report to the members of Helmet Integrated Systems Limited (continued)

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

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with those financial statements; and
- the Strategic report and the Directors' report been prepared in accordance with applicable legal requirements.

### **Matter on which we are required to report under the Companies Act 2006**

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and the Directors' report.

### **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.

Grant Thornton UK LLP

Jeremy Read (Senior statutory auditor)  
for and on behalf of  
Grant Thornton UK LLP  
Chartered Accountants  
Statutory Auditor  
Milton Keynes  
Date: 31 May 2017

# Statement of comprehensive income

For the year ended 31 December 2016

	Note	2016 £	2015 £
Turnover	3	12,350,043	15,901,875
Cost of sales		(6,903,834)	(9,946,962)
<b>Gross profit</b>		<b>5,446,209</b>	<b>5,954,913</b>
Distribution costs		(1,470,833)	(1,105,753)
Administrative expenses		(3,460,735)	(3,971,806)
Other operating income	4	78,142	21,790
<b>Operating profit</b>	5	<b>592,783</b>	<b>899,144</b>
Impairment charge - investment in subsidiaries	14	(1,880,140)	(2,812,315)
Interest receivable and similar income	9	730	491
Interest payable and expenses	10	(53)	-
<b>Loss before tax</b>		<b>(1,286,680)</b>	<b>(1,912,680)</b>
Tax on loss	11	(71,108)	(161,518)
<b>Loss for the year</b>		<b>(1,357,788)</b>	<b>(2,074,198)</b>
<b>Other comprehensive income for the year</b>			
Other comprehensive income		-	-
<b>Total comprehensive loss for the year</b>		<b>(1,357,788)</b>	<b>(2,074,198)</b>

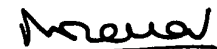
The notes on pages 11 to 27 form part of these financial statements.

## Statement of financial position

As at 31 December 2016

	Note	2016 £	2015 £
<b>Fixed assets</b>			
Intangible assets	12	625,875	345,252
Tangible assets	13	1,925,793	2,003,592
Investments	14	400,500	2,280,640
		<u>2,952,168</u>	<u>4,629,484</u>
<b>Current assets</b>			
Stocks	15	3,595,150	2,518,689
Debtors: amounts falling due within one year	16	3,327,459	3,392,230
Bank and cash balances		509,098	402,854
		<u>7,431,707</u>	<u>6,313,773</u>
Creditors: amounts falling due within one year	17	(5,468,422)	(4,668,379)
<b>Net current assets</b>		<u>1,963,285</u>	<u>1,645,394</u>
<b>Total assets less current liabilities</b>		<u>4,915,453</u>	<u>6,274,878</u>
<b>Provisions for liabilities</b>			
Deferred tax	18	(111,324)	(112,961)
		<u>(111,324)</u>	<u>(112,961)</u>
<b>Net assets</b>		<u><u>4,804,129</u></u>	<u><u>6,161,917</u></u>
<b>Capital and reserves</b>			
Called up share capital	19	400,500	400,500
Profit and loss account	20	4,403,629	5,761,417
<b>Shareholders' funds</b>		<u><u>4,804,129</u></u>	<u><u>6,161,917</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



R Dellar

Director

Date: 22nd May 2017

The notes on pages 11 to 27 form part of these financial statements.

## Statement of changes in equity

For the year ended 31 December 2016

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2016	400,500	5,761,417	6,161,917
<b>Comprehensive loss for the year</b>			
Loss for the year	-	(1,357,788)	(1,357,788)
<b>Total comprehensive loss for the year</b>	-	(1,357,788)	(1,357,788)
<b>At 31 December 2016</b>	<b>400,500</b>	<b>4,403,629</b>	<b>4,804,129</b>

## Statement of changes in equity

For the year ended 31 December 2015

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2015	400,500	7,835,615	8,236,115
<b>Comprehensive loss for the year</b>			
Loss for the year	-	(2,074,198)	(2,074,198)
<b>Total comprehensive loss for the year</b>	-	(2,074,198)	(2,074,198)
<b>At 31 December 2015</b>	<b>400,500</b>	<b>5,761,417</b>	<b>6,161,917</b>

The notes on pages 11 to 27 form part of these financial statements.

# Notes to the financial statements

For the year ended 31 December 2016

## 1. Accounting policies

### 1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 2).

The entity is a private Company limited by shares, incorporated in England and Wales. The registered office is Unit 3, Focus 4, Fourth Avenue, Letchworth, Hertfordshire, SG6 2TU.

The following principal accounting policies have been applied:

### 1.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Gentex Europe Limited as at 31 December 2016 and these financial statements may be obtained from 20-22 Bedford Row, London, WC1R 4JS.

### 1.3 Going concern

After reviewing the Company's forecasts and projections, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements. Management have obtained a letter of support from Gentex Corporation confirming their continued financial support for a period of not less than 12 months from the date of approval of these financial statements.

## Notes to the financial statements

For the year ended 31 December 2016

### 1. Accounting policies (continued)

#### 1.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

##### Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### 1.5 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed five years.

The estimated useful lives range as follows:

Development costs	-	5 - 10 years
Computer software	-	4 years

#### 1.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

## Notes to the financial statements

For the year ended 31 December 2016

### 1. Accounting policies (continued)

#### 1.6 Tangible fixed assets (continued)

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	-	2%
Short-term leasehold property	-	10%
Plant and machinery	-	10%
Motor vehicles	-	25%
Computer equipment	-	25%
Exhibition equipment	-	33%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

#### 1.7 Impairment of fixed assets

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

#### 1.8 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment. The carrying value of investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be reasonable.

#### 1.9 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.



## Notes to the financial statements :

For the year ended 31 December 2016

### 1. Accounting policies (continued)

#### 1.10 Debtors

Short term debtors are measured at transaction price, less any impairment.

#### 1.11 Cash and cash equivalents

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

#### 1.12 Financial instruments

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

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured initially and received. However if the arrangements of a short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If object evidence of impairment is found, an impairment loss is recognised in the Income Statement.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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

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

#### 1.13 Derivative financial instruments

Derivative financial instruments are recognised at fair value using a valuation technique with any gains or losses being reported in the Income Statement. Outstanding derivatives at reporting date are included under the appropriate format heading depending on the nature of the derivative.

## Notes to the financial statements

For the year ended 31 December 2016

### 1. Accounting policies (continued)

#### 1.14 Creditors

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

#### 1.15 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the Income Statement at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

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

#### 1.16 Foreign currency translation

##### Functional and presentation currency

The Company's functional and presentational currency is GBP.

##### Transactions and balances

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

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

Foreign exchange gains and losses are presented in the Statement of comprehensive income within administrative expenses.

#### 1.17 Finance costs

Finance costs are charged to the Statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount.

#### 1.18 Leased assets: the Company as lessee

Assets obtained under hire purchase contract and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Company so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

## Notes to the financial statements

For the year ended 31 December 2016

### 1. Accounting policies (continued)

#### 1.19 Pensions

##### Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

#### 1.20 Interest income

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

#### 1.21 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of comprehensive income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

## Notes to the financial statements

For the year ended 31 December 2016

### 1. Accounting policies (continued)

#### 1.22 Current and deferred taxation

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

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

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

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

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

#### 1.23 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 5 to 10 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

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

The preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgments and estimates have been made include the impairment of fixed asset investments, considering impairments within stock and trade debtors and the useful economic life of plant and machinery.

# Notes to the financial statements

For the year ended 31 December 2016

## 3. Turnover

An analysis of turnover by class of business is as follows:

	2016 £	2015 £
Manufacturing and distribution of protective headgear and associated equipment	<u>12,350,043</u>	<u>15,901,875</u>

## 4. Other operating income

	2016 £	2015 £
Government grants receivable	<u>78,142</u>	<u>21,790</u>

## 5. Operating profit

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

	2016 £	2015 £
Depreciation of tangible fixed assets	324,834	307,684
Amortisation of intangible assets, including goodwill	70,594	69,741
Impairment of intangible assets	-	30,000
Exchange differences	(68,349)	(139,040)
Defined contribution pension cost	129,861	118,511
Profit on the sale of tangible fixed assets	<u>(1,000)</u>	<u>-</u>

## 6. Auditor's remuneration

	2016 £	2015 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	<u>26,500</u>	<u>31,000</u>
<b>Fees payable to the Company's auditor and its associates in respect of:</b>		
Taxation compliance services	<u>4,500</u>	<u>4,000</u>

# Notes to the financial statements

For the year ended 31 December 2016

## 7. Employees

Staff costs, including directors' remuneration, were as follows:

	2016 £	2015 £
Wages and salaries	4,077,698	4,116,046
Social security costs	376,841	392,173
Cost of defined contribution scheme	129,861	118,511
	<u>4,584,400</u>	<u>4,626,730</u>

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

	2016 No.	2015 No.
Production	77	97
Selling and distribution	15	13
Administration	55	48
	<u>147</u>	<u>158</u>

## 8. Directors' remuneration

	2016 £	2015 £
Directors' emoluments	<u>225,701</u>	<u>259,977</u>

The highest paid director received remuneration of £225,701 (2015 - £259,977).

During the year retirement benefits were accruing to Nil directors (2015 - Nil) in respect of money purchase pension schemes.

## 9. Interest receivable

	2016 £	2015 £
Other interest receivable	<u>730</u>	<u>491</u>

# Notes to the financial statements

For the year ended 31 December 2016

## 10. Interest payable and similar charges

	2016 £	2015 £
Other interest payable	53	-

## 11. Taxation

	2016 £	2015 £
<b>Corporation tax</b>		
Current tax on profits for the year	123,698	131,401
Adjustments in respect of previous periods	(50,953)	(17,467)
<b>Total current tax</b>	<b>72,745</b>	<b>113,934</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(1,689)	47,584
Adjustment in respect of prior year	52	-
<b>Total deferred tax</b>	<b>(1,637)</b>	<b>47,584</b>
<b>Taxation on profit on ordinary activities</b>	<b>71,108</b>	<b>161,518</b>

### Factors affecting tax charge for the year

The tax assessed for the year is higher than (2015 - higher than) the standard rate of corporation tax in the UK of 20% (2015 - 20.25%). The differences are explained below:

	2016 £	2015 £
Loss on ordinary activities before tax	(1,286,680)	(1,912,680)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20.25%)	(257,336)	(387,252)
<b>Effects of:</b>		
Expenses not deductible for tax purposes, including goodwill amortisation and impairment	376,112	569,454
Adjustments to tax charge in respect of prior periods	(50,901)	(17,467)
Other permanent differences leading to an increase (decrease) in the tax charge	3,233	(3,217)
<b>Total tax charge for the year</b>	<b>71,108</b>	<b>161,518</b>

# Notes to the financial statements

For the year ended 31 December 2016

## 11. Taxation (continued)

### Factors that may affect future tax charges

The corporation tax main rate for 2016/17 is set at 20%. The 2016 Summer Finance Bill confirms that the main rate of corporation tax will be cut further to 17% from 1 April 2020. The current rate of 20% will be cut to 19% from 1 April 2017 and then cut by a further 2% from 1 April 2020.

## 12. Intangible assets

	Computer software £	Development costs £	Total £
<b>Cost</b>			
At 1 January 2016	355,898	675,069	1,030,967
Additions	16,199	335,018	351,217
At 31 December 2016	372,097	1,010,087	1,382,184
<b>Amortisation</b>			
At 1 January 2016	314,205	371,510	685,715
Charge for the year	24,427	46,167	70,594
At 31 December 2016	338,632	417,677	756,309
<b>Net book value</b>			
At 31 December 2016	33,465	592,410	625,875
At 31 December 2015	41,693	303,559	345,252

Amortisation of intangible fixed assets is included in administrative expenses.

An impairment charge was recognised in administrative expenses during the prior year arising on a project performing below forecast.



## Notes to the financial statements

For the year ended 31 December 2016

### 13. Tangible fixed assets

	Freehold land and property £	Short-term leasehold property £	Plant and machinery £	Motor vehicles £	Computer equipment £	Total £
<b>Cost or valuation</b>						
At 1 January 2016	744,231	52,017	9,703,184	8,136	601,353	11,108,921
Additions	-	-	216,733	10,950	19,352	247,035
Disposals	-	-	-	(8,136)	-	(8,136)
At 31 December 2016	<u>744,231</u>	<u>52,017</u>	<u>9,919,917</u>	<u>10,950</u>	<u>620,705</u>	<u>11,347,820</u>
<b>Depreciation</b>						
At 1 January 2016	42,313	45,265	8,434,788	8,136	574,827	9,105,329
Charge for the period on owned assets	12,996	1,522	292,629	2,738	14,949	324,834
Disposals	-	-	-	(8,136)	-	(8,136)
At 31 December 2016	<u>55,309</u>	<u>46,787</u>	<u>8,727,417</u>	<u>2,738</u>	<u>589,776</u>	<u>9,422,027</u>
<b>Net book value</b>						
At 31 December 2016	<u>688,922</u>	<u>5,230</u>	<u>1,192,500</u>	<u>8,212</u>	<u>30,929</u>	<u>1,925,793</u>
At 31 December 2015	<u>701,918</u>	<u>6,752</u>	<u>1,268,396</u>	<u>-</u>	<u>26,526</u>	<u>2,003,592</u>

Included within freehold property is land of £90,000 (2015: £90,000), which is not depreciated.

# Notes to the financial statements

For the year ended 31 December 2016

## 14. Fixed asset investments

	Investments in subsidiary companies £
<b>Cost or valuation</b>	
At 1 January 2016	5,092,955
At 31 December 2016	5,092,955
<b>Impairment</b>	
At 1 January 2016	2,812,315
Charge for the period	1,880,140
At 31 December 2016	4,692,455
<b>Net book value</b>	
At 31 December 2016	400,500
At 31 December 2015	2,280,640

HISL's wholly owned subsidiary in the USA, Interactive Safety Products Inc. ("ISPI"), was incorporated in 1996 and was funded by a series of inter-company loans. In subsequent years impairment provisions against the loans were made in HISL's accounts. The acquisition by Gentex provided greater financial strength and this factor, together with ISPI's improved trading position led to the decision to capitalise the loan position as at 4 July 2014 in ISPI's accounts and to treat this sum as an investment in HISL's accounts. By 31 December 2016 the transfer of operations was complete and the remaining assets and liabilities were transferred to Gentex Corporation. A further impairment of £1,880,140 has been made in the 2016 accounts reduce the value of the investment in ISPI to £nil.

# Notes to the financial statements

For the year ended 31 December 2016

## 14. Fixed asset investments (continued)

### Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
Interactive Safety Products Inc.	Ordinary	100 %	Dormant
Helmets Limited	Ordinary	100 %	Dormant
Pureflo Safety Limited	Ordinary	100 %	Dormant
Toptek International Limited	Ordinary	100 %	Dormant

The aggregate of the share capital and reserves as at 31 December 2016 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

	Aggregate of share capital and reserves £	Loss for the year £
Interactive Safety Products Inc.	2,548,791	(81,925)
Helmets Limited	207,887	-
Pureflo Safety Limited	100,000	-
Toptek International Limited	192,612	-
	<u>2,548,791</u>	<u>(81,925)</u>

## 15. Stocks

	2016 £	2015 £
Raw materials and consumables	1,284,052	423,203
Work in progress	799,886	1,608,456
Finished goods and goods for resale	1,511,212	487,030
	<u>3,595,150</u>	<u>2,518,689</u>

Stock recognised in cost of sales during the year as an expense was £3,963,610 (2015 - £5,994,897).

A credit of £29,484 (2015 - £15,000) was recognised during the year in cost of sales relating to a movement in the stock provision arising on slow-moving and obsolete stock.

# Notes to the financial statements

For the year ended 31 December 2016

## 16. Debtors

	2016 £	2015 £
Trade debtors	2,424,789	3,076,761
Other debtors	293,135	31,244
Prepayments and accrued income	609,535	284,225
	<u>3,327,459</u>	<u>3,392,230</u>

## 17. Creditors: Amounts falling due within one year

	2016 £	2015 £
Trade creditors	1,041,359	916,891
Amounts owed to group undertakings	3,812,345	3,179,218
Corporation tax	83,836	118,643
Taxation and social security	131,010	129,487
Other creditors	19,377	15,647
Accruals and deferred income	380,495	308,493
	<u>5,468,422</u>	<u>4,668,379</u>

## 18. Deferred taxation

	2016 £	2015 £
At beginning of year	(112,961)	(65,377)
Charged to profit or loss	1,637	(47,584)
<b>At end of year</b>	<u><b>(111,324)</b></u>	<u><b>(112,961)</b></u>

The provision for deferred taxation is made up as follows:

	2016 £	2015 £
Accelerated capital allowances	(113,140)	(112,961)
Other timing differences	<u>1,816</u>	<u>-</u>

# Notes to the financial statements

For the year ended 31 December 2016

## 19. Share capital

	2016 £	2015 £
<b>Shares classified as equity</b>		
<b>Authorised</b>		
1,000,000 Ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>
<b>Allotted, called up and fully paid</b>		
400,500 Ordinary shares of £1 each	<u>400,500</u>	<u>400,500</u>

All shares are of the same class and have equal voting rights and equal rights to dividends and any repayments of capital.

## 20. Reserves

### Profit and loss account

Includes all current and prior period retained profits and losses.

## 21. Capital commitments

At 31 December 2016 the Company had capital commitments as follows:

	2016 £	2015 £
Contracted for but not provided in these financial statements	<u>41,505</u>	<u>-</u>
	<u>41,505</u>	<u>-</u>

## 22. Commitments under operating leases

At 31 December 2016 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2016 £	2015 £
Not later than 1 year	166,763	126,519
Later than 1 year and not later than 5 years	482,006	447,641
Later than 5 years	25,000	125,000
	<u>673,769</u>	<u>699,160</u>

## Notes to the financial statements

For the year ended 31 December 2016

### 23. Related party transactions

	2016 £	2015 £
Management charge payable to Gentex Corporation	253,860	253,860
Key management personnel compensation	505,766	666,824
	<u>759,626</u>	<u>920,684</u>

### 24. Controlling party

Gentex Corporation, a company incorporated in the United States of America, is the controlling party in the current year and the prior year.