

# Financial Statements Infrared Integrated Systems Limited

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For the year ended 31 December 2016



Company No. 03186364

## Company Information

<b>Company Registration Number:</b>	03186364
<b>Registered Office:</b>	C/O Tektronix Uk Ltd, One Thames Valley Wokingham Road Bracknell BERKSHIRE RG42 1NG
<b>Directors:</b>	K Hughes H Warnshuis J Van de Wiel
<b>Secretary:</b>	K Hughes
<b>Bankers:</b>	HSBC Bank plc 62-76 Park Street LONDON SE1 9DZ
<b>Auditor:</b>	Ernst & Young LLP Statutory Auditor 400 Capability Green LUTON LU1 3LU

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## Strategic Report

The Directors present their strategic report for the year ended 31 December 2016.

### Business Review

The company is principally engaged in the development and distribution of high technology detection equipment for people counting, queue monitoring and building management systems.

The company develops and designs retail queue management systems, people counters and software. The queue management solutions are sold direct to retailers and the counters are sold through a network of international distributors.

There was a profit for the year after taxation amounting to £3,509,174 (2015 – profit of £2,451,807).

The key performance indicators for the company are its sales growth and its profitability, all of which contribute towards the creation of maximum value for the shareholders.

	Year 2016	Year 2015	% Movement in Balance
Revenue	£12,330,960	£11,427,153	8%
Profit before tax	£3,572,028	£ 2,463,691	45%

Revenue - The 8% increase is as a result of improved trading in the year.

Profit - The 45% increase is a result of the full year impact of reduced operating charges following the restructure of the business in 2015. As in previous years the company continued to invest heavily in the research and development function.

### Future Developments

The directors believe the company is well positioned to benefit from continued revenue, profit growth and cash generation over the next four years. In 2017 it will continue to exploit its unique low-cost infrared array sensor technology and new sensing modalities combined with machine vision expertise by investing in product research and development targeted at a new product family. It plans to maintain its lead in the development and exploitation of commercial infrared systems, focussing specifically on people counting and queue management applications.

## Strategic Report (continued)

### **Financial Risk Management Objectives and Policies**

The company uses financial instruments comprising cash and other liquid resources and various other items such as trade receivables and payables that arise directly from its operations. The main purpose of these financial instruments is to provide finance for the company's operations. The main risks arising from the company's financial instruments are liquidity risk, currency risk and credit risk. The directors review and agree policies for managing each of these risks and they are summarised below. The policies have remained unchanged from previous periods.

#### **Liquidity risk**

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

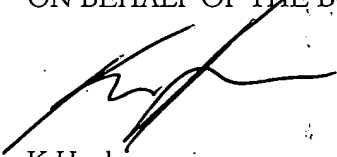
#### **Currency risk**

The company is exposed to translation and transaction foreign exchange risk. Details of how the company mitigates these risks are contained within note 17 to the financial statements.

#### **Credit risk**

The company's principal financial assets are bank balances and trade receivables. The directors recognise the credit risk associated with bank balances. This is mitigated by relationships with UK bank counterparties that have high credit ratings assigned by international credit-rating agencies. The principal credit risk arises therefore from its trade receivables. In order to manage credit risk the directors set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed on a regular basis in conjunction with debt ageing and collection history.

ON BEHALF OF THE BOARD



K Hughes  
Director

22 June 2017.

## Directors' Report

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

The address of the registered office of the company is C/O Tektronix Uk Ltd, One Thames Valley, Wokingham Road, Bracknell, Berkshire, RG42 1NG.

### **Going Concern**

The company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, and its exposure to competitive, technological, and foreign currency risks are described in the Business Review included in the Strategic Report above.

The company is part of the Fortive UK group cash pool arrangement. As part of the group cash pool arrangement, each company has entered into unlimited cross guarantees in respect of bank borrowings with fellow participating companies. Each company is also subject to an indemnity offered by Fortive Corporation for all participating companies (for the period during which they remain wholly owned subsidiaries of Fortive Corporation), such that any liability falling on the company as a result of the borrowings from the bank of any other party to the cash pool arrangement will be borne by Fortive Corporation in the event of default.

The company has a strong balance sheet. The group cash pool arrangement in the UK is also available if the company requires immediate access to cash funds to meet its liabilities as they fall due.

The cash position of the UK group as a whole is strong and therefore the company should have access to sufficient operating funds when necessary. As a result, the directors believe the company has adequate resources to support the use of the going concern basis for preparing the financial statements.

### **The Directors and their Interests**

The membership of the Board during the year is set out below:-

H Warnshuis  
G Macpherson (Resigned 20 January 2017)  
J Van de Wiel (Appointed 2 May 2016)  
K Hughes (Appointed 20 January 2017)  
I C Wilcock (Resigned 31 March 2016)

### **Dividends**

A dividend of £Nil (2015: £8.5m) was declared and paid in the year.

## Directors' Report (Continued)

### Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable UK 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 financial statements in accordance with United Kingdom generally accepted accounting practice (United Kingdom accounting standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgments and estimates that are reasonable and prudent
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- 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 and Article 4 of the IAS Regulation. 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.

### Charitable Donations

The contributions made by the company during the year for charitable purposes were £350 (2015 - £350).

### Third Party Indemnities

Fluke Corporation has provided to all directors limited indemnities in respect of the cost of defending claims against them and third party liabilities. These are all third party indemnity provisions for the purpose of the Companies Act 2006 and are all currently in force.

### Disclosure of Information to Auditors

The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that:

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information.

## Directors' Report (Continued)

### **Disclosure of Information to Auditors (continued)**

#### **Auditor**

A resolution to reappoint Ernst & Young LLP as statutory auditors will be proposed at the annual general meeting in accordance with section 487(2) of the Companies Act 2006.

ON BEHALF OF THE BOARD



K Hughes  
Director

22 June 2017.



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

(Registered number 3186364)

We have audited the financial statements of Infrared Integrated Systems Limited for the year ended 31 December 2016, which comprise the Income Statement, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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

## **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 6, 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**

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. In addition, we read all the financial and non-financial information in the report and financial statements to identify material inconsistencies with the audited financial statements, and to identify any information that is apparently incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

## **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 profit for the year then ended;
- ▶ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- ▶ have been prepared in accordance with the requirements of the Companies Act 2006.

# Independent auditor's report to the members of Infrared Integrated Systems Limited (Registered number 3186364)

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

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

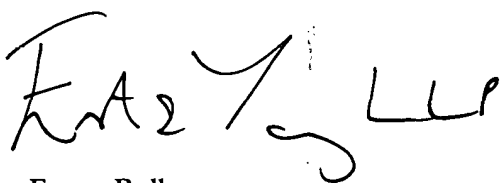
- ▶ the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- ▶ the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

## **Matters on which we are required to report by exception**

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

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.



**Fraser Bull**  
Executive Director  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Cambridge

22 June 2017.

# Income Statement

	Note	Continuing Operations 2016 £	Continuing Operations 2015 £
Turnover	1	12,330,960	11,427,153
Other operating charges	3	<u>(8,758,628)</u>	<u>(8,999,386)</u>
Operating profit		3,572,332	2,427,767
Finance (charge)/income	4	<u>(304)</u>	<u>35,924</u>
Profit for the year before taxation		3,572,028	2,463,691
Taxation (charge) for the year	6	<u>(62,854)</u>	<u>(11,884)</u>
Net profit for the financial year and total comprehensive income, attributable to equity holders of the company		<u>3,509,174</u>	<u>2,451,807</u>

No separate statement of comprehensive income has been prepared as there are no items of other comprehensive income.

## Statement of Financial Position

	Note	2016 £	2015 £
<b>Fixed Assets</b>			
Intangible assets	8	945,362	695,229
Tangible assets	7	663,408	688,959
		<b>1,608,770</b>	<b>1,384,188</b>
<b>Current Assets</b>			
Stocks	9	511,331	642,744
Debtors: amounts falling due after more than one year	10	136,164	199,018
Debtors: amounts falling due within one year	10	1,996,407	2,464,184
Cash and cash equivalents		3,916,058	161,159
		<b>6,559,960</b>	<b>3,467,105</b>
<b>Creditors: amounts falling due within one year</b>			
Trade and other creditors	12	1,856,025	1,815,693
Deferred income		105,601	135,125
		<b>1,961,626</b>	<b>1,950,818</b>
<b>Net Current Assets</b>		<b>4,598,334</b>	<b>1,516,287</b>
<b>Total Assets Less Current Liabilities</b>		<b>6,207,104</b>	<b>2,900,475</b>
Provisions for liabilities	13	38,414	240,959
<b>Net Assets</b>		<b>6,168,690</b>	<b>2,659,516</b>
<b>Capital and Reserves</b>			
Share capital	15	147,348	147,348
Retained earnings		6,021,342	2,512,168
<b>Equity attributable to Equity holders of the Company</b>		<b>6,168,690</b>	<b>2,659,516</b>

These financial statements were approved and authorised for issue by the directors on **22** June 2017 and are signed on their behalf by:



K Hughes

Director

Company registration number 3186364

**22** June 2017.

**The accompanying accounting policies and notes form part of these financial statements.**

## Statement of Change in Equity

	Share Capital £	Accumulated earnings/ (losses) £	Total £
<b>Balance at 1 January 2015</b>	147,348	8,560,361	8,707,709
Profit for the year	-	2,451,807	2,451,807
Equity dividends paid	-	(8,500,000)	(8,500,000)
<b>Balance at 1 January 2016</b>	147,348	2,512,168	2,659,516
Equity dividends paid	-	-	-
Profit for the year	-	3,509,174	3,509,174
<b>Balance at 31 December 2016</b>	147,348	6,021,342	6,168,690

Dividends paid per share in the year £Nil (2015 £57.68).

**The accompanying accounting policies and notes form part of these financial statements.**

## Principal Accounting Policies

### **Authorisation of Financial Statements and Statement of Compliance with FRS 101**

The financial statements of Infrared Integrated Systems Limited (the "Company") for the year ended 31 December 2016 were authorised for issue by the Board of Directors 22 June 2017 and the balance sheet was signed on the Board's behalf by K Hughes. Infrared Integrated Systems Limited is incorporated and domiciled in England and Wales.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

These financial statements are presented in pounds sterling (GBP) because that is the currency of the primary economic environment in which the company operates.

### **Basis of Preparation**

The company prepares its financial statements in accordance with FRS 101 for all periods presented.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- a) The requirements of IAS 7 Statement of Cash Flows.
- b) The requirements of IFRS 7 Financial Instruments.
- c) The requirements of IAS 24 Related Party Disclosures in relation to transactions with fellow subsidiaries.
- d) The requirements of IAS 1 Presentation of Financial Statements in relation to Capital Management disclosure requirements
- e) The requirements of IFRS 13 Fair Value Measurement. There was no impact on the Company from the adoption.
- f) IAS 19 Employee Benefits (Revised) which had no impact on the Company in the current financial period.
- g) The requirements of IFRS 32 Offsetting Financial Assets and Financial Liabilities which had no impact on the company in the current financial period.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2016.

### **Changes in Accounting Policy and Disclosures**

There were no new or amended IFRS and IFRIC interpretations applied in the year that resulted in changes in accounting policies or disclosures.

**The accompanying accounting policies and notes form part of these financial statements.**

## Principal Accounting Policies (continued)

### **Standards and Interpretations not yet applied**

The following new Standards and Interpretations, which are yet to become mandatory, have not been applied in the Company's 2016 financial statements:

IFRS 9 Financial Instruments – Classification and measurement (effective 1 January 2018)

IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018)

IFRS 16 Leases (effective 1 January 2019)

Based on the company's current business model and accounting policies, the directors do not expect material impacts on the company's financial statements when the Standards become effective.

The company does not intend to apply any of these pronouncements prior to these becoming a requirement.

### **Going Concern**

The company is part of the Fortive UK group cash pool arrangement. As part of the group cash pool arrangement, each company has entered into unlimited cross guarantees in respect of bank borrowings with fellow participating companies. Each company is also subject to an indemnity offered by Fortive Corporation for all participating companies (for the period during which they remain wholly owned subsidiaries of Fortive Corporation), such that any liability falling on the company as a result of the borrowings from the bank of any other party to the cash pool arrangement will be borne by Fortive Corporation in the event of default.

The company is trading profitably with positive cash flow and a strong balance sheet. The group cash pool arrangement in the UK is also available if the company requires immediate access to cash funds to meet its liabilities as they fall due.

The cash position of the UK group as a whole is strong and therefore the company should have access to sufficient operating funds when necessary.

Accordingly, the directors have continued to adopt the going concern basis in preparing the financial statements.

### **Turnover**

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts.

Product turnover is recognised upon despatch of goods. Payments received from customers prior to delivery are recorded within creditors as payments on account.

Software support and maintenance turnover is recognised on a straight line basis over the support and maintenance period.

**The accompanying accounting policies and notes form part of these financial statements.**

## Principal Accounting Policies (continued)

### Interest Income

Interest income is recognised over the relevant period using the effective interest rate.

### Tangible Assets

Tangible Assets are stated at cost, net of depreciation and any provision for impairment. An annual review of idle or out of service tangible assets is conducted and provisions are made for any impairment where it is considered that there will be no future economic benefit.

Depreciation is calculated to write down the cost less estimated residual value of all tangible assets by equal annual instalments over their expected useful economic lives. The rates generally applicable are:

Leasehold improvements	Remaining period of the lease
Plant and machinery	12.5% to 25%

### Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank deposits available on demand and bank term deposits of less than one year.

### Stocks

Stocks are stated at the lower of cost and net realisable value, on a first in, first out basis.

### Trade Creditors

Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method where the effect is material.

### Provisions

Provisions are recognised when the company has an obligation as a result of a past event and it is probable that the company will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

### Warranty Provisions

The company's products are sold with a 12 or 24 month warranty. The warranty provision at the balance sheet date is based on estimates of future returns based on potential causes of failure as well as historic failure data.

**The accompanying accounting policies and notes form part of these financial statements.**



## Principal Accounting Policies (continued)

### Leased Assets

In accordance with IAS 17 'Leases', the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is recognised at the time of inception of the lease at the fair value of the leased asset or, if lower, the present value of the minimum lease payments plus incidental payments, if any, to be borne by the lessee. A corresponding amount is recognised as a finance leasing liability.

The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the income statement over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the income statement on a straight line basis over the lease term.

### Research and Development

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

An internally-generated intangible asset arising from development activities is recognised only if the company is deemed to meet all of the following conditions:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale
- the intention and ability to complete the intangible asset and then to use or sell it
- the generation of probable future economic benefits, demonstrated by the existence of a market for the output of the intangible asset, or for the asset itself, or the usefulness of the asset if it is to be used internally
- the availability of adequate technical, financial or other resources to complete the development for the use or sale of the intangible asset
- the ability to measure reliably the expenditure attributable to the intangible asset during its development

Internally-generated intangible assets are amortised on a straight-line basis over 2 years. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred. An annual impairment review is conducted and provisions are made for any impairment where it is considered that there will be no future economic benefit.

### Grant Funding

Government grants of a revenue nature are credited to the income statement in the same period as the related expenditure.

### Taxation

Current income tax liabilities comprise those obligations to fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement.

**The accompanying accounting policies and notes form part of these financial statements.**

## Principal Accounting Policies (continued)

### **Taxation (continued)**

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amount of assets and liabilities in the financial statements with their respective tax bases. In addition, tax losses available to be carried forward as well as other income tax credits to the company are assessed for recognition as deferred tax assets.

Deferred tax liabilities are always provided for in full. Deferred tax assets are recognised to the extent that it is probable that the underlying temporary differences will be able to be offset against future taxable income. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised as a component of tax expense in the income statement, except where it relates to items charged or credited directly to equity.

### **Foreign Currencies**

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. All exchange differences are dealt with through the income statement.

### **Employee Benefits**

All accumulating employee-compensating absences that are unused at the balance sheet date are recognised as a liability.

### **Pension Costs**

The company operates a defined contribution pension scheme. The amount charged to the Profit and Loss Account represents contributions payable to the pension scheme in respect of the financial year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Balance Sheet.

### **Financial Instruments**

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 entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the income statement. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity

**The accompanying accounting policies and notes form part of these financial statements.**

## **Principal Accounting Policies (continued)**

### **Financial Instruments (continued)**

instruments are debited direct to equity.

All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at fair value through profit and loss. The fair value of derivative financial instruments are determined by reference to active market transactions.

### **Share Capital**

Ordinary shares are classified as equity. Equity instruments issued by the company are recorded as the proceeds are received, net of direct issue costs.

**The accompanying accounting policies and notes form part of these financial statements.**

# Notes to the Financial Statements

## 1 Turnover

The turnover and result for the year before tax are attributable to the sale of high technology detection equipment, services and software.

Turnover recognised in the Income Statement is analysed as follows:

	2016 £	2015 £
Sale of goods	11,301,067	10,434,734
Rendering of services	1,027,021	953,768
Other Income	2,872	38,651
	<u>12,330,960</u>	<u>11,427,153</u>

## 2 Operating Profit

The result for the year is stated after charging/(crediting):

	2016 £	2015 £
Auditor's Remuneration:		
Fees payable to the company's auditor for the audit of the Annual Financial Statements	22,100	35,680
Pension Costs	109,383	139,090
Depreciation:		
Property, Plant and Equipment, Owned	137,707	182,883
Amortisation:		
Development Costs	495,538	354,121
Inventories recognised as an expense	3,576,991	3,226,882
Research and Development	945,383	695,822
Hire of Plant and Machinery	9,900	20,539
Other Operating Lease Rentals	186,860	220,099
Exchange differences on foreign currency transactions	(232,796)	(88,625)

## Notes to the Financial Statements (continued)

### 3 Other Operating Charges

	2016 £	2015 £
Development and Production Costs	7,910,743	7,797,967
Administrative Expenses	847,885	1,201,419
	<u>8,758,628</u>	<u>8,999,386</u>

### 4 Finance (Charge)/Income

	2016 £	2015 £
Bank Interest Receivable	2,225	36,682
Bank Interest Payable	(2,529)	(758)
	<u>(304)</u>	<u>35,924</u>

### 5 Directors and Employees

Amounts paid to directors, who are the key management personnel of the company, during the year were as follows:

	2016 £	2015 £
Emoluments	92,701	215,144
Payment for loss of office	17,212	-
Pension Contributions to Money Purchase Pension Schemes	4,762	14,248
	<u>114,675</u>	<u>229,392</u>

During the year, 1 (2015 - 1) Ian Wilcock was the only director to receive remuneration who also participated in the defined contribution pension scheme. The other directors are remunerated by other entities within the group and their services to the company are deemed to be incidental.

Staff costs during the year, including directors, were as follows:

	2016 £	2015 £
Wages and Salaries	2,382,991	3,002,651
Social Security Costs	278,788	321,637
Insurance – Health, DIS, PHI	69,339	76,991
Other Pension Costs	109,383	139,090
	<u>2,840,501</u>	<u>3,540,369</u>

The average number of employees of the company during the year was:

	2016 No	2015 No
Administration	5	6
Development	19	20
Production	8	15
Sales, Marketing and Support	10	11
	<u>42</u>	<u>52</u>

## Notes to the Financial Statements (continued)

### 6 Tax on Profit on Ordinary Activities

	2016 £	2015 £
The tax (charge)/credit comprises:		
<b>Current Tax - UK</b>		
Corporation tax at the standard rate of 20% / 20.25%	-	(57,422)
Adjustment in respect of prior period	-	-
	<u>-</u>	<u>(57,422)</u>
<b>Deferred Tax</b>		
(Charge)/Credit for current year	(60,410)	56,928
Adjustment in respect of prior period	(2,444)	(11,390)
Adjustments in respect of change in tax rates	-	-
	<u>(62,854)</u>	<u>45,538</u>
<b>Taxation (charge) for the Year</b>	<u><u>(62,854)</u></u>	<u><u>(11,884)</u></u>

The differences between the total current tax shown above and the amount calculated by applying the rate of UK corporation tax to the profit before tax are as follows:

	2016 £	2015 £
Profit before tax	<u>3,572,028</u>	<u>2,463,691</u>
Corporation tax at the standard rate of 20%/20.25%	<b>714,406</b>	498,813
Effects of:		
(Income not taxable) / Expenses not deductible for tax purposes	<b>20,834</b>	(23,445)
Differences in tax rates	<b>(3,179)</b>	11,306
Prior year adjustments to deferred tax	<b>2,444</b>	11,390
Group relief surrendered for nil consideration	<b>(671,651)</b>	(486,180)
<b>Total taxation (charge) for the Year</b>	<u><u>(62,854)</u></u>	<u><u>(11,884)</u></u>

The tax rates to be used are those which have been enacted or substantively enacted by the balance sheet date. For UK tax rates, 'substantively enacted' means that the Act or other measure legislating that rate has passed through all stages of reading by the House of Commons (i.e. the act has had its third reading). Finance No.2 Bill 2015 became substantively enacted on 26 October 2015, and as such the tax rate was reduced from 20% to 19% effective 1 April 2017 and to 18% effective 1 April 2020. It was announced in the 2016 Budget that the tax rate will further reduce to 17% from 1 April 2020; when this is enacted it is not expected to have a material impact on the accounts.

Under FRS 101, deferred tax should be measured using the tax rates that are expected to apply to the reversal of the timing differences. As such, deferred tax has been calculated at 19%.

## Notes to the Financial Statements (continued)

### 7 Tangible Assets

<b>2016</b>	<b>Leasehold Improvements £</b>	<b>Plant and Machinery £</b>	<b>Total £</b>
Cost			
At 1 January 2016	493,846	2,234,064	2,727,910
Additions	104,604	7,552	112,156
Disposals	-	(204,170)	(204,170)
At 31 December 2016	<u>598,450</u>	<u>2,037,446</u>	<u>2,635,896</u>
Depreciation			
At 1 January 2016	288,127	1,750,824	2,038,951
Provided in the year	27,123	110,584	137,707
Disposals	-	(204,170)	(204,170)
At 31 December 2016	<u>315,250</u>	<u>1,657,238</u>	<u>1,972,488</u>
Carrying amount at 31 December 2016	<u>283,200</u>	<u>380,208</u>	<u>663,408</u>

<b>2015</b>	<b>Leasehold improvements £</b>	<b>Plant and Machinery £</b>	<b>Total £</b>
Cost			
At 1 January 2015	769,003	2,711,887	3,480,890
Additions	206,203	12,863	219,066
Disposals	(481,360)	(490,686)	(972,046)
At 31 December 2015	<u>493,846</u>	<u>2,234,064</u>	<u>2,727,910</u>
Depreciation			
At 1 January 2015	553,508	1,963,593	2,517,101
Provided in the year	30,288	152,595	182,883
Disposals	(295,669)	(365,364)	(661,033)
At 31 December 2015	<u>288,127</u>	<u>1,750,824</u>	<u>2,038,951</u>
Carrying amount at 31 December 2015	<u>205,719</u>	<u>483,240</u>	<u>688,959</u>

## Notes to the Financial Statements (continued)

### 8 Intangible Assets

	2016 £	2015 £
Development Cost		
At 1 January	3,365,771	2,966,347
Additions	745,671	399,424
At 31 December	<u>4,111,442</u>	<u>3,365,771</u>
Amortisation		
At 1 January	2,670,542	2,316,421
Provided in the year	495,538	354,121
At 31 December	<u>3,166,080</u>	<u>2,670,542</u>
Carrying amounts		
At 31 December	<u>945,362</u>	<u>695,229</u>

### 9 Stocks

	2016 £	2015 £
Raw Materials	311,609	279,037
Short Term Work in Progress	195,390	309,408
Finished Goods	4,332	54,299
	<u>511,331</u>	<u>642,744</u>

There is no material difference between the purchase price or production cost of stocks and their replacement cost. £52,292 of inventory was written down as at 31 December 2016 (2015: £368,589).

### 10 Trade and Other Debtors

Due after more than one year:	2016 £	2015 £
Deferred tax asset (Note 11)	136,164	199,018
	<u>136,164</u>	<u>199,018</u>
Due within one year:	2016 £	2015 £
Trade Debtors	1,818,659	2,226,816
Amounts owed by Group Undertakings	-	21,154
Prepayments and Accrued Income	147,594	133,847
Other Debtors	30,154	82,367
	<u>1,996,407</u>	<u>2,464,184</u>

There was no significant concentration of credit risk in trade debtors.

An aged breakdown of trade debtors is not considered necessary as balances over 3 months old are immaterial.



## Notes to the Financial Statements (continued)

### 11 Deferred Tax

Deferred tax arising from temporary differences and unused tax losses has been calculated at a rate of 19% (2015 -19%) and is summarised as follows:

	2016 £	2015 £
Property, Plant and Equipment	125,242	144,278
Short term temporary differences	10,922	54,740
Trade Losses	-	-
Deferred Tax Asset	<u>136,164</u>	<u>199,018</u>
Balance Brought Forward	199,018	153,480
(Charge)/Credit for the year	(60,410)	56,928
Adjustment in respect of prior year	(2,444)	(11,390)
(Debit)/credit to SORIE	-	-
Balance Carried Forward	<u>136,164</u>	<u>199,018</u>

Unrelieved trading losses of £Nil (2015 - £Nil) are available to offset against future taxable trading profits.

### 12 Trade and Other Creditors

	2016 £	2015 £
Trade Creditors	139,709	238,853
Amounts owed to Group Undertakings	713,092	746,590
Social Security and other Taxes	175,749	-
Other Creditors	391,604	410,172
Accruals	435,871	420,078
	<u>1,856,025</u>	<u>1,815,693</u>

### 13 Provisions for Liabilities

	Warranty Provision £	Dilapidation Provisions £	Total £
At 1 January 2016	10,959	230,000	240,959
Utilised during the period	(2,756)	(205,000)	(207,756)
Released during the period	-	(15,000)	(15,000)
Created during the period	2,811	17,400	20,211
At 31 December 2016	<u>11,014</u>	<u>27,400</u>	<u>38,414</u>

The uncertainties implicit in determining an appropriate warranty provisions are discussed in the Principal Accounting Policies on page 15.

## Notes to the Financial Statements (continued)

### 13 Provisions for Liabilities (continued)

The dilapidation provisions have been set up to cover any necessary repair work under the terms of the company's premises leases.

### 14 Dividends Paid and Proposed

	2016 £	2015 £
Declared and Paid during the Year		
Equity Dividends on Ordinary Shares		
Final Dividend	-	8,500,000
Dividends Paid	-	8,500,000

### 15 Share Capital

	2016 £	2015 £
Authorised		
2,000,000 Ordinary shares of 10p each	200,000	200,000
1,000,000 'A' Ordinary shares of 10p each	100,000	100,000
500,000 'B' Ordinary shares of 10p each	50,000	50,000
	<u>350,000</u>	<u>350,000</u>

Allotted, called up and fully paid		
870,718 Ordinary shares of 10p each	87,072	87,072
366,095 'A' Ordinary shares of 10p each	36,610	36,610
236,665 'B' Ordinary shares of 10p each	23,666	23,666
	<u>147,348</u>	<u>147,348</u>

	Ordinary Shares	'A' Ordinary Shares	'B' Ordinary Shares
At 1 January 2016	870,718	366,095	236,665
Issue of shares	-	-	-
At 31 December 2016	<u>870,718</u>	<u>366,095</u>	<u>236,665</u>

The Ordinary, 'A' Ordinary and 'B' Ordinary shares rank pari passu but constitute three separate classes of shares.

## Notes to the Financial Statements (continued)

### 16 Leasing Commitments

The company leases offices and manufacturing facilities and office equipment under non-cancellable operating leases for which the future aggregate minimum lease payments are as follows:

	2016 £	2015 £
No later than 1 year	152,498	116,393
Later than 1 but no later than 5 years	683,913	675,000
After 5 years	1,170,000	483,750
	<u>2,006,411</u>	<u>1,275,143</u>

The company's offices are leased under a 10 year lease, which is due for renewal in August 2025.

### 17 Foreign Currency Sensitivity

A significant portion of the company's transactions are carried out in £sterling. Exposure to currency exchange rates arise from the company's overseas sales that are denominated in US Dollars, Australian Dollars and Euros. These US Dollar and Euro cashflows are partly but not wholly offset by the company's US Dollar and Euro denominated operating expenses. Given the economic environment the directors regularly review the currency exposure according to specific contracts and conditions.

To mitigate the company's exposure to the US Dollar, Australian Dollar and Euro exchange rate, currency cash flows are closely monitored and forecast.

Foreign currency denominated financial assets and liabilities, translated in £sterling at the closing rate, are as follows:

	2016 Euro £	2015 Euro £	2016 US\$ £	2015 US\$ £	2016 AU\$ £	2015 AU\$ £
Nominal amounts						
Financial assets	255,085	234,394	1,137,359	1,110,891	2,571	884,686
Financial liabilities	(26,419)	(338)	(11,994)	(4,584)	(289,962)	(289,962)
Short-term exposure	<u>228,666</u>	<u>234,056</u>	<u>1,125,365</u>	<u>1,106,307</u>	<u>(287,391)</u>	<u>594,724</u>

The following tables illustrate the sensitivity of the net result for the year and equity with regard to the company's financial assets and financial liabilities and the US Dollar, Australian Dollar and Euro - £sterling exchange rates.

It assumes a +/- 9% (2015 - 4%) change of the US Dollar, a +/- 9 % (2015 - 9%) change of the Australian Dollar and a +/- 10 % (2015 - 6%) change of the Euro exchange rate for the year ended 31 December 2016. The percentage has been determined based on a review of market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on the company's foreign currency financial instruments held at each balance sheet date.

## Notes to the Financial Statements (continued)

### 17 Foreign Currency Sensitivity (continued)

If £sterling had strengthened against the Euro by 10% (2015 – 6%), US Dollar by 9% (2015 – 4%) and Australian Dollar by 9% (2015 – 9%) then this would have had the following impact:

	2016	2015	2016	2015	2016	2015
	Euro	Euro	US\$	US\$	AU\$	AU\$
	£	£	£	£	£	£
Net result for the year	<u>(50,486)</u>	<u>(454)</u>	<u>(200,037)</u>	<u>(82,897)</u>	<u>17,568</u>	<u>(73,599)</u>

If £sterling had weakened against the Euro by 10% (2015 – 6%), US Dollar by 9% (2015 – 4%) and Australian Dollar by 9% (2015 – 9%) then this would have had the following impact:

	2016	2015	2016	2015	2016	2015
	Euro	Euro	US\$	US\$	AU\$	AU\$
	£	£	£	£	£	£
Net result for the year	<u>61,705</u>	<u>512</u>	<u>239,605</u>	<u>89,805</u>	<u>(21,043)</u>	<u>88,157</u>

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions and the analysis above is considered to be representative of the company's exposure to currency risk.

### 18 Credit Risk Analysis

The company's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date, as summarised below:

	2016	2015
	£	£
Trade and other debtors	1,848,814	2,330,037
Cash and cash equivalents	3,916,058	161,159
	<u>5,764,872</u>	<u>2,491,196</u>

The company continually monitors customer payment activity. Where available, external credit ratings on customers are obtained before extending any credit terms. If the credit history is deemed unsatisfactory, or the trading jurisdiction would make debt recovery uneconomic, the company will not extend credit, but will usually require full or part cash in advance of shipment of goods.

None of the company's financial assets are secured by collateral or other credit enhancements except for one Trade Receivable which was backed by Letters of Credit totalling £63,835 which was paid after the year end.

There was no significant concentration of credit risk in trade receivables.

The company maintains a policy of not placing deposits outside the UK nor with institutions that do not have high quality credit ratings. The credit risk for liquid funds is therefore considered negligible, since the company only transacts with counterparties that are highly reputable UK banks with high quality credit ratings.

## Notes to the Financial Statements (continued)

### 19 Summary of Financial Assets and Liabilities by category

The carrying amounts of the company's financial assets and liabilities as recognised at the balance sheet date of the reporting periods under review may also be categorised as follows:

	2016	2015
	£	£
<b>Loans and Receivables</b>		
Trade and other debtors	1,848,814	2,330,037
Cash and cash equivalents	3,916,058	161,159
	<u>5,764,872</u>	<u>2,491,196</u>
<b>Financial Liabilities measured at amortised cost</b>		
Trade and other creditors	1,856,025	1,950,818
Net short-term liquidity	<u>3,908,847</u>	<u>540,378</u>

### 20 Contingent Liabilities

The Company has provided the following guarantees:

- unlimited cross guarantees, in respect of bank borrowings, with fellow group undertakings
- guarantee of £38,800 to HM Revenue and Customs for the import of goods (2015: £38,800)
- guarantee of £134,435 to Panda Retail Company for a receipt in advance (2015: £Nil).

At 31 December 2016 there were £Nil contingent liabilities as a result of these guarantees (2015: Nil).

### 21 Ultimate Parent Undertaking and Controlling Party

The largest and smallest group in which the results of the company are consolidated is Fortive Corporation, a company incorporated in the USA. The consolidated financial statements of this group are available to the public and may be obtained from the Fortive website investors page <http://investors.fortive.com/sec> filings.

The ultimate parent undertaking and controlling party is Fortive Corporation, a company incorporated in the USA.