Financial Statements Infrared Integrated Systems Limited

For the year ended 31 December 2017

Company No. 03186364

Company Information

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

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Strategic Report

The Directors present their strategic report for the year ended 31 December 2017.

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 £2,814,246 (2016 – profit of £3,509,174).

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 2017	Year 2016	% Movement in Balance
Revenue	£11,743,694	£12,330,960	-4.8%
Profit before tax	£2,833,998	£ 3,572,028	-20.7%

Revenue – The 4.8 % decrease is as a result of decline in market share within our value added reseller partners attributed to the performance of the retail sector.

Profit - The -20.7% decrease is a result of the reduction in sales in the year and the impact of currency fluctuations. 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 2018 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

27 June 2018.

Directors' Report

The directors present their report together with the financial statements for the year ended 31 December 2017.

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
J Van de Wiel
K Hughes

Dividends

A dividend of £ NIL (2016: £NIL) 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 £ NIL (2016 - £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

27 June 2018.

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

(Registered number 3186364)

Opinion

We have audited the financial statements of Infrared Integrated Systems Limited for the year ended 31 December 2017, which comprise the Income Statement, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 22, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2017 and of its profit 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions 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 the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

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

(Registered number 3186364)

Matters on which we are required to report by exception

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 or directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Ernst & Young LLP

Fraser Bull (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
Cambridge

27 June 2018

Income Statement

	Note	Continuing Operations 2017 £	Continuing Operations 2016 £
Turnover	1	11,743,694	12,330,960
Other operating charges	3	(8,909,915)	(8,758,628)
Operating profit		2,883,779	3,572,332
Finance income/(charge)	4	219	(304)
Profit for the year before taxation		2,833,998	3,572,028
Taxation (charge) for the year	6	(19,752)	(62,854)
Net profit for the financial year and total comprehensive income, attributable to equity holders of the company		2,814,246	3,509,174

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

Statement of Financial Position

	Note	2017	2016
		£	£
Fixed Assets			
Intangible assets	8	**1,166,877**	945,362
Tangible assets	7	**526,982**	663,408
		1,693,859	1,608,770
Current Assets			
Stocks	9	**475,056**	511,331
Debtors: amounts falling due after more than one year	10	**116,412**	136,164
Debtors: amounts falling due within one year	10	**2,256,271**	1,996,407
Cash and cash equivalents		**6,197,202**	3,916,058
		9,044,941	6,559,960
Creditors: amounts falling due within one year			
Trade and other creditors	12	**1,498,527**	1,856,025
Deferred income		**201,549**	105,601
		1,700,076	1,961,626
Net Current Assets		**7,344,865**	4,598,334
Total Assets Less Current Liabilities		**9,038,724**	6,207,104
Provisions for liabilities	13	**55,788**	38,414
Net Assets		**8,982,936**	6,168,690
Capital and Reserves			
Share capital	15	**147,348**	147,348
Retained earnings		**8,835,588**	6,021,342
Equity attributable to Equity holders of the Company		**8,982,936**	6,168,690

These financial statements were approved and authorised for issue by the directors on 27 June 2018 and are signed on their behalf by:

K Hughes
Director
Company registration number 3186364
27 June 2018.

Statement of Change in Equity

	Share Capital	Accumulated earnings	Total
	£	£	£
Balance at 1 January 2016	147,348	2,512,168	2,659,516
Profit for the year and total comprehensive income	-	3,509,174	3,509,174
Equity dividends paid	-	-	-
Balance at 1 January 2017	147,348	6,021,342	6,168,690
Equity dividends paid	-	-	-
Profit for the year and total comprehensive income	-	2,814,246	2,814,246
Balance at 31 December 2017	147,348	8,835,588	8,982,936

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 2017 were authorised for issue by the Board of Directors 27 June 2018 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 2017.

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.

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 2017 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.

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.

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.

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

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.

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:

	2017	2016
	£	£
Sale of goods	**10,538,781**	11,301,067
Rendering of services	**1,204,763**	1,027,021
Other Income	**150**	2,872
	11,743,694	12,330,960

2 Operating Profit

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

	2017	2016
	£	£
Auditor's Remuneration:		
Fees payable to the company's auditor for the audit of the Annual Financial Statements	**23,183**	22,100
Pension Costs	**104,437**	109,383
Depreciation:		
Property, Plant and Equipment, Owned	**141,421**	137,707
Amortisation:		
Development Costs	**572,548**	495,538
Inventories recognised as an expense	**3,306,366**	3,576,991
Research and Development	**613,418**	945,383
Hire of Plant and Machinery	**4,381**	9,900
Other Operating Lease Rentals	**167,908**	186,860
Exchange differences on foreign currency transactions	**71,907**	(232,796)

Notes to the Financial Statements (continued)

3 Other Operating Charges

	2017	2016
	£	£
Development and Production Costs	**7,719,229**	7,910,743
Administrative Expenses	**1,190,686**	847,885
	8,909,915	8,758,628

4 Finance Income/(Charge)

	2017	2016
	£	£
Bank Interest Receivable	**306**	2,225
Bank Interest Payable	**(87)**	(2,529)
	219	(304)

5 Directors and Employees

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

	2017	2016
	£	£
Emoluments	**176,292**	92,701
Payment for loss of office	**-**	17,212
Pension Contributions to Money Purchase Pension Schemes	**6,731**	4,792
	183,023	114,675

During the year, 1 (2016 - 1) Kevin Hughes 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:	2017	2016
	£	£
Wages and Salaries	**2,495,882**	2,382,991
Social Security Costs	**309,804**	278,788
Insurance – Health, DIS, PHI	**52,409**	69,339
Other Pension Costs	**104,437**	109,383
	2,962,532	2,840,501

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

	2017	2016
	No	No
Administration	**5**	5
Development	**17**	19
Production	**8**	8
Sales, Marketing and Support	**9**	10
	39	42

Notes to the Financial Statements (continued)

6 Tax on Profit on Ordinary Activities

The tax (charge)/credit comprises:	**2017** **£**	2016 £
Current Tax - UK		
Corporation tax at the standard rate of 19.25% / 20%	-	-
Adjustment in respect of prior period	-	-
	-	-
Deferred Tax		
(Charge)/Credit for current year	**(6,111)**	(60,410)
Adjustment in respect of prior period	**773**	(2,444)
Adjustments in respect of change in tax rates	**(14,414)**	-
	(19,752)	(62,854)
Taxation (charge) for the Year	**(19,752)**	(62,854)

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:

	2017 **£**	2016 £
Profit before tax	**2,833,998**	3,572,028
Corporation tax at the standard rate of 19.25%/20%	**(545,546)**	(714,406)
Effects of:		
Income not taxable / (Expenses not deductible for tax purposes)	**1,584**	(20,834)
Differences in tax rates	**809**	3,179
Prior year adjustments to deferred tax	**773**	(2,444)
Impact of change in tax rates	**(14,414)**	-
Group relief	**537,042**	671,651
Total taxation (charge) for the Year	**(19,752)**	(62,854)

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. 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 and substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

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 17%.

Notes to the Financial Statements (continued)

7 Tangible Assets

2017	Leasehold Improvements £	Plant and Machinery £	Total £
Cost			
At 1 January 2017	598,450	2,037,446	2,635,896
Additions	-	4,995	4,995
Disposals	-	-	-
At 31 December 2017	598,450	2,042,441	2,640,891
Depreciation			
At 1 January 2017	315,250	1,657,238	1,972,488
Provided in the year	31,901	109,520	141,421
Disposals	-	-	-
At 31 December 2017	347,151	1,766,758	2,113,909
Carrying amount at 31 December 2017	251,299	275,683	526,982

2016	Leasehold improvements £	Plant and Machinery £	Total £
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	598,450	2,037,446	2,635,896
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	315,250	1,657,238	1,972,488
Carrying amount at 31 December 2016	283,200	380,208	663,408

Notes to the Financial Statements (continued)

8 Intangible Assets

	2017	2016
	£	£
Development Costs		
At 1 January	**4,111,442**	3,365,771
Additions	**794,063**	745,671
At 31 December	**4,905,505**	4,111,442
Amortisation		
At 1 January	**3,166,080**	2,670,542
Provided in the year	**572,548**	495,538
At 31 December	**3,738,628**	3,166,080
Carrying amounts		
At 31 December	**1,166,877**	**945,362**

9 Stocks

	2017	2016
	£	£
Raw Materials	**222,571**	311,609
Short Term Work in Progress	**159,008**	195,390
Finished Goods	**93,477**	4,332
	475,056	511,331

There is no material difference between the purchase price or production cost of stocks and their replacement cost. £5,142 of inventory was written down as at 31 December 2017 (2016: £52,292).

10 Trade and Other Debtors

Due after more than one year:	2017	2016
	£	£
Deferred tax asset (Note 11)	**116,412**	136,164

Due within one year:	2017	2016
	£	£
Trade Debtors	**1,896,438**	1,818,659
Amounts owed by Group Undertakings	**123,203**	-
Prepayments and Accrued Income	**114,604**	147,594
Social Security and other Taxes	**122,026**	-
Other Debtors	-	30,154
	2,256,271	1,996,407

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 17% (2016 -19%) and is summarised as follows:

	2017	2016
	£	£
Property, Plant and Equipment	**103,899**	125,242
Short term temporary differences	**12,513**	10,922
Trade Losses	**-**	-
Deferred Tax Asset	**116,412**	136,164
Balance Brought Forward	**136,164**	199,018
(Charge)/Credit for the year	**(20,525)**	(60,410)
Adjustment in respect of prior year	**773**	(2,444)
(Debit)/credit to SOCIE	**-**	-
Balance Carried Forward	**116,412**	136,164

12 Trade and Other Creditors

	2017	2016
	£	£
Trade Creditors	**102,352**	139,709
Amounts owed to Group Undertakings	**746,873**	713,092
Social Security and other Taxes	**-**	175,749
Other Creditors	**116,751**	391,604
Accruals	**532,551**	435,871
	1,498,527	1,856,025

13 Provisions for Liabilities

	Warranty Provision	**Dilapidation Provisions**	**Total**
	£	**£**	**£**
At 1 January 2017	11,014	27,400	38,414
Utilised during the period	(34)	-	(34)
Released during the period	(10,053)	-	(10,053)
Created during the period	61	27,400	27,461
At 31 December 2017	**988**	**54,800**	**55,788**

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

	2017	2016
	£	£
Declared and Paid during the Year:		
Equity Dividends on Ordinary Shares	-	-
Final Dividend	-	-
Dividends Paid	-	-

15 Share Capital

	2017	2016
	£	£
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
	350,000	350,000
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
	147,348	147,348

	Ordinary Shares	**'A' Ordinary Shares**	**'B' Ordinary Shares**
At 1 January 2017	200,000	100,000	50,000
Issue of shares	-	-	-
At 31 December 2017	**200,000**	**100,000**	**50,000**

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:

	2017	2016
	£	£
No later than 1 year	**171,525**	152,498
Later than 1 but no later than 5 years	**748,790**	683,913
After 5 years	**1,023,750**	1,170,000
	1,944,065	2,006,411

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:

	2017	2016	**2017**	2016	**2017**	2016
Nominal amounts	**Euro**	Euro	**US$**	US$	**AU$**	AU$
	£	£	**£**	£	**£**	£
Financial assets	**469,358**	255,085	**907,691**	1,137,359	**75,104**	2,571
Financial liabilities	**(9,001)**	(26,419)	**(7,021)**	(11,994)	**(14,188)**	(289,962)
Short-term exposure	**460,357**	228,666	**900,670**	1,125,365	**60,916**	(287,391)

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 +/- 6% (2016+/- 9%) change of the US Dollar, a +/- 9% (2016+/ - 9%) change of the Australian Dollar and a +/- 5% (2016+/ -10%) change of the Euro exchange rate for the year ended 31 December 2017. 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 +5% (2016 +10%), US Dollar by +6% (2016 +9%) and Australian Dollar by +9% (2016 +9%) then this would have had the following impact:

	2017 Euro £	2016 Euro £	**2017 US$ £**	2016 US$ £	**2017 AU$ £**	2016 AU$ £
Net result for the year	**(62,259)**	(50,486)	**(104,173)**	(200,037)	**(11,011)**	17,568

If £ sterling had weakened against the Euro by -5% (2016 -10%), US Dollar by -6% (2016 -9%) and Australian Dollar by -9% (2016 -9%) then this would have had the following impact:

	2017 Euro £	2016 Euro £	**2017 US$ £**	2016 US$ £	**2017 AU$ £**	2016 AU$ £
Net result for the year	**68,812**	61,705	**117,472**	239,605	**13,189**	(21,043)

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:

	2017 £	2016 £
Trade and other debtors	**2,256,271**	1,848,814
Cash and cash equivalents	**6,197,202**	3,916,058
	8,453,473	5,764,872

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 £70,693 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:

	2017	2016
	£	£
Loans and Receivables		
Trade and other debtors	**2,256,271**	1,848,814
Cash and cash equivalents	**6,197,202**	3,916,058
	8,453,471	5,764,872
Financial Liabilities measured at amortised cost		
Trade and other creditors	**1,498,527**	1,856,025
Net short-term liquidity	**6,954,944**	3,908,847

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 (2016: £38,800)
- guarantee of £134,435 to Panda Retail Company for a receipt in advance (2016: £134,435).

At 31 December 2017 there were £NIL contingent liabilities as a result of these guarantees (2016: NIL).

21 Dividends

Subsequent to the year end the directors recommend a final dividend of £3,500,000.

22 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.