

Company Registration No. 03540380 (England and Wales)

JENOPTIK TRAFFIC SOLUTIONS UK LIMITED
ANNUAL REPORT AND UNAUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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JENOPTIK TRAFFIC SOLUTIONS UK LIMITED

COMPANY INFORMATION

Directors	K B Chevis R Gorrige G A Collins M Wendlik
Company number	03540380
Registered office	Ten Watchmoor Park Riverside Way Camberley Surrey GU15 3YL
Bankers	Deutsche Bank AG Winchester House 1 Great Winchester Street London EC2N 2DB

JENOPTIK TRAFFIC SOLUTIONS UK LIMITED

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JENOPTIK TRAFFIC SOLUTIONS UK LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present the strategic report and financial statements for the year ended 31 December 2018.

The principal activity of the Company is that of design, manufacture, supply and installation of equipment for automatic number plate recognition (ANPR) systems and associated activities.

Review of Business

2018 saw the merger of the two main offices for the business into one new state of the art facility in Camberley. This investment into the future of the business comes at an increased ongoing cost to the business as well as a period of overlap of costs meaning our facilities costs in 2018 were significantly higher.

The Company achieved an order intake of £17,485,000 during the year. This represents an 8% decline on the prior year, however the book-to-bill ratio improved significantly to 1.34 in the year (2017: 1.04). This results in a significant order backlog that places the Company in a strong position for substantial growth in 2019 and beyond.

Turnover was £13,011,609 in the year representing a decline on the previous year. This is down to a reduction in international revenues and in 2017 we saw the completion of some large ANPR contracts which did not reoccur in 2018.

Gross margins reduced from 56% achieved in 2017 to 50% this year, this is largely driven by the change in sales mix.

Loss before taxation and amortisation for the year was £3,792,012, being a reduction on 2017 performance by £6,141,717. The key reasons being the reduction in Gross profit, an investment in additional employee's (+26%), increased investment in Research & Development activities, additional travel costs associated with both integration within the Jenoptik Group coupled with expanding our International reach and finally the costs associated with the office merger as mentioned above.

JENOPTIK TRAFFIC SOLUTIONS UK LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

Principal risks and uncertainties

Competitive risk

The Company manages its competitive risk by performing constant analysis of market trends and condition, which includes a continued focus on R&D to ensure that we are at the forefront of technology available to our competitors.

Financial risk

The Company's principal financial instruments comprise bank balances, trade creditors and trade debtors. The main purpose of these instruments is to raise funds and to finance the Company's operations.

Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks, as well as credit exposures to customers, including outstanding receivables and committed transactions. The Company has implemented policies that require regular monitoring of the financial risk of each key customer. The Company's credit risk is primarily attributable to its trade receivables balance. The amounts presented in the statement of financial position are net of allowances for doubtful debts.

Liquidity risk

The Company manages liquidity risk by maintaining sufficient cash to enable it to meet its operational requirements. Operating cash flows are actively managed with monthly rolling cash flow forecasts which are reviewed by the Board.

The Company has no requirement for debt finance outside of the Jenoptik Group.

Financing risk

The Company has a credit facility in place with its ultimate parent, Jenoptik Aktiengesellschaft (Jenoptik AG). This provides the Company sufficient financing resource to meet its strategic objectives.

Financial instruments risk

Trade debtors are managed in respect of credit and cash flow risk by policies concerning the credit offered to customers and the regular monitoring of amounts outstanding for both time and credit limits.

Trade creditors liquidity risk is managed by ensuring sufficient funds are available to meet amounts due.

Key performance indicators

Order intake was down on prior year by £1,471,000, however the book-to-bill ratio improved significantly to 1.34 in the year from 1.04 in 2017.

Our gross profit reduced from £10,170,865 to £6,555,924, which also represented a reduction in percentage terms relative to turnover from 56% to 50%.

We completed the year with bank and cashpool balances of £2,863,332 (2017: £2,229,441). Cash collection from customers improved in the year and is now at 43 days (2017: 62 days).

JENOPTIK TRAFFIC SOLUTIONS UK LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

Future developments

The Company continues to invest heavily in development of new products for both UK and International markets. Whilst it will take time to achieve the relevant home and overseas system approvals, the Board believe the Company is well positioned to deliver strong revenues in 2019 and beyond due to this continued investment, aided by the strong order backlog position.

Uncertainty surrounding the actual impact of BREXIT will continue to impact the business, however the Management have planned and believe they have taken appropriate actions to mean that the Company is well placed to deal with the various possible impacts BREXIT will bring.

On behalf of the board



R Gorringer

Director

27/09/19

JENOPTIK TRAFFIC SOLUTIONS UK LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their annual report and the unaudited financial statements for the year ended 31 December 2018.

Principal activities

The principal activity of the Company is that of developing, manufacturing, marketing and the supply of Intelligent Transport Systems, including Average Speed Management, Bus Lane Enforcement, ANPR Surveillance, Level Crossing Enforcement and other related systems and services.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

K B Chevis	
R Gorringe	
C Biermann	(Resigned 13 March 2018)
G A Collins	(Appointed 27 April 2018)
M Wendlik	(Appointed 13 March 2018)

Results and dividends

The results for the year are set out on page 5.

The directors do not recommend the payment of a dividend.

Going concern

The Company has net current assets of £8,219,253 and net assets of £16,630,630 as at 31 December 2018. Further to this the company has a positive cash balance as at 31 December 2018 of £92,939. The Company is part of a group cash pooling facility and an amount of £2,863,332 is held within this cash pooling facility at the year end. The Company has the ability to draw on the cash within the cash pooling facility to fund their cash needs over the next 12 months.

Given the above, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Audit exemption

Jenoptik Holdings UK Limited have issued a guarantee against all outstanding liabilities to which the company is subject as at 31 December 2018, until they are satisfied in full. The guarantee is enforceable against Jenoptik Holdings UK Limited by any person to whom the company is liable in respect of those liabilities. Since Jenoptik Traffic Solutions UK Limited are included in the consolidated accounts of Jenoptik Holdings UK Limited, the company have taken advantage of the exemption from audit of its individual accounts for the year ended 31 December 2018 by virtue of Section 479A of the Companies Act 2006.

On behalf of the board



R Gorringe
Director

Date: 27/09/19

JENOPTIK TRAFFIC SOLUTIONS UK LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £	2017 £
Turnover	3	13,011,609	18,241,766
Cost of sales		(6,455,685)	(8,070,901)
Gross profit		6,555,924	10,170,865
Administrative expenses		(10,502,974)	(8,021,864)
Operating (loss)/profit	4	(3,947,050)	2,149,001
Interest receivable and similar income	7	3,469	76
Interest payable and similar expenses	8	(468)	-
(Loss)/profit before taxation		(3,944,049)	2,149,077
Tax on (loss)/profit	9	463,342	(385,717)
(Loss)/profit for the financial year		(3,480,707)	1,763,360

The statement of total comprehensive income has been prepared on the basis that all operations are continuing operations.

JENOPTIK TRAFFIC SOLUTIONS UK LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2018

	Notes	2018 £	£	2017 £	£
Fixed assets					
Goodwill	10	291,405		443,442	
Tangible assets	11	3,706,369		1,861,438	
Investments	12	5,248,573		5,248,573	
			9,246,347		7,553,453
Current assets					
Stocks	15	1,382,366		1,259,168	
Debtors	16	12,552,906		16,062,253	
Cash at bank and in hand		92,939		416,460	
			14,028,211		17,737,881
Creditors: amounts falling due within one year	17	(5,808,958)		(4,764,275)	
Net current assets			8,219,253		12,973,606
Total assets less current liabilities			17,465,600		20,527,059
Creditors: amounts falling due after more than one year	18		(284,903)		(204,528)
Provisions for liabilities	19		(550,067)		(211,194)
Net assets			16,630,630		20,111,337
Capital and reserves					
Called up share capital	22	400,000		400,000	
Profit and loss reserves		16,230,630		19,711,337	
Total equity			16,630,630		20,111,337

For the year ended 31 December 2018 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

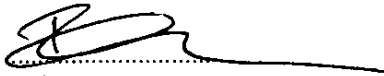
The members have not required the company to obtain an audit of its financial statements for the year in question in accordance with section 476.

JENOPTIK TRAFFIC SOLUTIONS UK LIMITED

BALANCE SHEET (CONTINUED)

AS AT 31 DECEMBER 2018

The financial statements were approved by the board of directors and authorised for issue on 27/09/19 and are signed on its behalf by:



R Gorringe
Director

Company Registration No. 03540380

JENOPTIK TRAFFIC SOLUTIONS UK LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital	Profit and loss reserves	Total
	£	£	£
Balance at 1 January 2017	400,000	17,947,977	18,347,977
Year ended 31 December 2017:			
Profit and total comprehensive income for the year	-	1,763,360	1,763,360
Balance at 31 December 2017	400,000	19,711,337	20,111,337
Year ended 31 December 2018:			
Loss and total comprehensive income for the year	-	(3,480,707)	(3,480,707)
Balance at 31 December 2018	400,000	16,230,630	16,630,630

JENOPTIK TRAFFIC SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

Company information

Jenoptik Traffic Solutions UK Limited is a private Company limited by shares incorporated in England and Wales. The registered office is at Ten Watchmoor Park, Riverside Way, Camberley, Surrey, GU15 3YL.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest pound.

The financial statements have been prepared on the historical cost convention. The principal accounting policies adopted are set out below.

The Company has taken advantage of the exemption under section 399 of the Companies Act 2006 not to prepare consolidated accounts, on the basis that the group of which this is the parent qualifies as a small group. The financial statements present information about the Company as an individual entity and not about its group.

The Company's ultimate parent undertaking, Jenoptik Aktiengesellschaft includes the Company in its consolidated financial statements. The consolidated financial statements of Jenoptik Aktiengesellschaft are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from www.Jenoptik.com. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Jenoptik Aktiengesellschaft include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosure:

- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.2 Going concern

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. In forming this view the directors have reviewed the forecasts for the period ending 12 months from the date of approval of these financial statements. The Company is part of a group cash pooling facility and an amount of £2,863,332 is held within this cash pooling facility at the year end. The Company has the ability to draw on the cash within the cash pooling facility to fund their cash needs over the next 12 months.

Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

JENOPTIK TRAFFIC SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies (Continued)

1.3 Turnover

Turnover represents amounts receivable derived from ordinary activities, for goods and services net of VAT and trade discounts.

Revenue from permanent installations is recognised based on work undertaken in the period. This is usually upon equipment installation or in line with terms agreed with the individual customers.

Maintenance and support revenues are recognised in accordance with the terms and conditions of the agreement on a straight line basis over the period of the contract

For rental projects, revenue relating to installation is recognised on completion of the work done. Removal work is recognised in the period in which the work is carried out. Rental income is recognised in the period relating to the equipment hire.

1.4 Intangible fixed assets - goodwill

Goodwill, representing the excess of the fair value of purchase consideration over the fair value of net assets acquired, is capitalised and written off on a straight-line basis over its useful economic life, which is estimated to be ten years.

1.5 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date if the fair value can be measured reliably.

Expenditure on research and development is written off to the statement of comprehensive income in the year in which it is incurred. Development expenditure is capitalised only where there is a clearly defined project, the expenditure is separately identifiable, the outcome of the project can be assessed with reasonable certainty, aggregate costs are expected to exceed related future sales and adequate resources exist to enable the project to be completed. In this situation, the expenditure is deferred and amortised over the period during which the company is expected to profit.

1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Leasehold improvements	Over the life of the lease
Plant and machinery	3 to 7 years
Fixtures, fittings and equipment	20% straight-line
Motor vehicles	25% straight-line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

JENOPTIK TRAFFIC SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies (Continued)

1.7 Impairment of fixed assets

At each reporting period end date, the Company reviews the carrying amounts of its goodwill, tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

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

1.8 Stocks

Stocks are stated at the lower of cost and net realisable value and includes items held for short-term re-hire with the intention of re-sale. Net realisable value represents the estimated selling price less any costs to sell. Costs represents the monetary value of the economic outflow to acquire the goods.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.9 Financial instruments

The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the Company's statement of financial position when the Company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost.

JENOPTIK TRAFFIC SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies (Continued)

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the Company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

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

Basic financial liabilities

Basic financial liabilities, including trade and other creditors and loans from fellow group companies are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

JENOPTIK TRAFFIC SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies (Continued)

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the Company's contractual obligations expire or are discharged or cancelled.

1.10 Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.11 Provisions

Provisions are recognised when the Company has a legal or constructive present obligation as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

JENOPTIK TRAFFIC SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies (Continued)

1.12 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the Company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.13 Retirement benefits

The Company contributes to a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the statement of comprehensive income represents the contributions payable to the scheme in respect of the accounting period.

1.14 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1.15 Foreign exchange

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss amount.

JENOPTIK TRAFFIC SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

2 Judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Stocks

Stocks are valued at the lower cost and net realisable value. Net realisable value includes, where necessary, provisions for slow moving and obsolete stocks. Calculation of these provisions requires judgements to be made, which include forecast consumer demand, the promotional, competitive and economic environment and stock loss trends.

Doubtful Debt

The provision for doubtful debt is maintained for potential credit losses based upon the management's assessment of the expected collectability of all accounts receivable. The provision is reviewed periodically to assess the adequacy of the provision. In making this assessment, management takes into consideration any circumstances of which we are aware regarding a customer's inability to meet its financial obligations and our judgements as to potential prevailing economic conditions in the industry and their potential impact on the Company's customers.

Dilapidation Provision

The Company has recognised a provision for dilapidations in its financial statements which requires management to make judgements. The judgements, estimates and associated assumptions necessary to calculate the provision are based on historical experience and other reasonable factors.

Useful lives of goodwill, tangible and intangible assets

The Company determines the estimated useful lives and related depreciation and amortisation charges for its goodwill, intangible assets, plant, equipment and motor vehicles with reference to the estimated periods that the Company intends to derive future economic benefits from the use of these assets. Management will revise the depreciation or amortisation charge where useful lives are materially different from those previously estimated. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore depreciation and amortisation expenses in the future periods.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the reporting end date was £291,405 and is being amortised over an anticipated 10 year life.

JENOPTIK TRAFFIC SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

3 Turnover and other revenue

An analysis of the Company's turnover is as follows:

	2018 £	2017 £
Turnover analysed by class of business		
Turnover derived from principal activity	13,011,609	18,241,766
	2018 £	2017 £
Turnover analysed by geographical market		
Great Britain	12,578,570	16,673,956
Rest of the World	123,923	149,067
Other European Union	309,116	1,418,743
	13,011,609	18,241,766

4 Operating (loss)/profit

	2018 £	2017 £
Operating (loss)/profit for the year is stated after charging/(crediting):		
Exchange losses	20,547	10,665
Research and development costs	474,289	277,522
Auditors remuneration for non audit services	-	7,100
Auditors remuneration	45,000	62,000
Depreciation of owned tangible fixed assets	646,521	530,825
Profit on disposal of tangible fixed assets	-	(657)
Amortisation of intangible assets	152,037	200,628
Operating lease charges	342,409	195,441

5 Employees

The average monthly number of persons (including directors) employed by the Company during the year was:

	2018 Number	2017 Number
Project managers and service engineers	42	34
Sales and administration	20	16
Research and development engineers	18	14
Directors	3	2
	83	66

JENOPTIK TRAFFIC SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

5 Employees (Continued)

Their aggregate remuneration comprised:

	2018 £	2017 £
Wages and salaries	4,844,349	3,634,210
Social security costs	602,255	421,994
Pension costs	235,275	180,861
	<u>5,681,879</u>	<u>4,237,065</u>

6 Directors' remuneration

	2018 £	2017 £
Remuneration for qualifying services	514,460	311,238
Company pension contributions to defined contribution schemes	23,543	15,044
	<u>538,003</u>	<u>326,282</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2017: 2).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2018 £	2017 £
Remuneration for qualifying services	283,349	194,325
Company pension contributions to defined contribution schemes	11,250	8,863
	<u>294,599</u>	<u>203,188</u>

7 Interest receivable and similar income

	2018 £	2017 £
Interest income		
Other interest income	3,469	76
	<u>3,469</u>	<u>76</u>

8 Interest payable and similar expenses

	2018 £	2017 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	468	-
	<u>468</u>	<u>-</u>

JENOPTIK TRAFFIC SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

9 Taxation

	2018 £	2017 £
Current tax		
UK corporation tax on profits for the current period	-	355,038
Adjustments in respect of prior periods	(418,342)	33,679
Total current tax	<u>(418,342)</u>	<u>388,717</u>
Deferred tax		
Origination and reversal of timing differences	<u>(45,000)</u>	<u>(3,000)</u>
Total tax (credit)/charge	<u>(463,342)</u>	<u>385,717</u>

The actual (credit)/charge for the year can be reconciled to the expected (credit)/charge for the year based on the profit or loss and the standard rate of tax as follows:

	2018 £	2017 £
(Loss)/profit before taxation	<u>(3,944,049)</u>	<u>2,149,077</u>
Expected tax (credit)/charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	(749,369)	413,697
Tax effect of expenses that are not deductible in determining taxable profit	3,495	(37,892)
Adjustments in respect of prior years	(418,342)	33,679
Effect of change in corporation tax rate	-	(2,984)
Goodwill	-	29,267
Group relief received for nil payment	-	(50,050)
Fixed asset ineligible depreciation	6,401	-
Qualifying donations unutilised	111	-
Losses carried back	462,510	-
Adjust opening and closing deferred tax to average rate of 19%	29,142	-
Deferred tax not recognised	202,710	-
Taxation (credit)/charge for the year	<u>(463,342)</u>	<u>385,717</u>

JENOPTIK TRAFFIC SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

10 Intangible fixed assets

	Goodwill	Development costs	Total
	£	£	£
Cost			
At 1 January 2018 and 31 December 2018	1,520,369	2,363,700	3,884,069
Amortisation and impairment			
At 1 January 2018	1,076,927	2,363,700	3,440,627
Amortisation charged for the year	152,037	-	152,037
At 31 December 2018	1,228,964	2,363,700	3,592,664
Carrying amount			
At 31 December 2018	291,405	-	291,405
At 31 December 2017	443,442	-	443,442

11 Tangible fixed assets

	Leasehold improvements	Plant and machinery	Fixtures, fittings and equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 January 2018	-	7,103,465	292,692	81,561	7,477,718
Additions	1,946,299	527,763	-	17,390	2,491,452
At 31 December 2018	1,946,299	7,631,228	292,692	98,951	9,969,170
Depreciation and impairment					
At 1 January 2018	-	5,299,295	277,539	39,446	5,616,280
Depreciation charged in the year	33,689	594,917	5,057	12,858	646,521
At 31 December 2018	33,689	5,894,212	282,596	52,304	6,262,801
Carrying amount					
At 31 December 2018	1,912,610	1,737,016	10,096	46,647	3,706,369
At 31 December 2017	-	1,804,170	15,153	42,115	1,861,438

12 Fixed asset investments

	2018	2017
	£	£
Unlisted investments	5,248,573	5,248,573

JENOPTIK TRAFFIC SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

12 Fixed asset investments (Continued)

Movements in fixed asset investments

	Investments other than loans £
Cost or valuation	
At 1 January 2018 & 31 December 2018	5,248,573
Carrying amount	
At 31 December 2018	5,248,573
At 31 December 2017	5,248,573

13 Subsidiaries

Details of the Company's subsidiaries at 31 December 2018 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct
Computer Recognition Systems Limited	England and Wales	Dormant Company	Ordinary	100
Domestic and Commercial Security Limited	England and Wales	Software Development	Ordinary	100

Computer Recognition Systems Limited was dissolved on 15 January 2019.

14 Financial instruments

	2018 £	2017 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	11,735,201	15,274,723
Equity instruments measured at cost less impairment	5,248,573	5,248,573
Carrying amount of financial liabilities		
Measured at amortised cost	3,790,235	4,209,472

15 Stocks

	2018 £	2017 £
Raw materials and consumables	11,721	283,374
Work in progress	34,769	49,038
Finished goods and goods for resale	1,335,876	926,756
	1,382,366	1,259,168

JENOPTIK TRAFFIC SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

15 Stocks (Continued)

Cost of stocks recognised as an expense in the financial statements amount to £1,278,477 (2017: £2,614,175).

Included within the financial statements is a provision for stock impairment amounting to £151,160 (2017: £210,082).

16 Debtors

	2018 £	2017 £
Amounts falling due within one year:		
Trade debtors	2,265,115	2,441,334
Corporation tax recoverable	468,512	-
Amounts owed by group undertakings	8,398,527	12,770,629
Other debtors	73,718	62,760
Prepayments and accrued income	1,347,034	787,530
	<u>12,552,906</u>	<u>16,062,253</u>

17 Creditors: amounts falling due within one year

	2018 £	2017 £
Trade creditors	1,018,747	1,517,980
Amounts owed to parent undertaking	71,057	18,335
Amounts owed to subsidiary undertaking	831,808	1,298,417
Amounts owed to other group companies	398,273	-
Corporation tax	-	37,866
Other taxation and social security	419,559	516,937
Other creditors	21,297	31,599
Accruals and deferred income	3,048,217	1,343,141
	<u>5,808,958</u>	<u>4,764,275</u>

18 Creditors: amounts falling due after more than one year

	2018 £	2017 £
Deferred income	<u>284,903</u>	<u>204,528</u>

JENOPTIK TRAFFIC SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

19 Provisions for liabilities

	Notes	2018 £	2017 £
Dilapidation provision		490,984	166,194
Warranty provision		59,083	-
		<u>550,067</u>	<u>166,194</u>
Deferred tax liabilities	20	-	45,000
		<u>550,067</u>	<u>211,194</u>

Movements on provisions apart from deferred tax liabilities:

	Dilapidation provision £	Warranty provision £	Total £
At 1 January 2018	166,194	-	166,194
Additional provisions in the year	324,790	59,083	383,873
	<u>490,984</u>	<u>59,083</u>	<u>550,067</u>

20 Deferred taxation

Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2018 £	Liabilities 2017 £
Balances:		
Accelerated Capital Allowances	-	45,000
	<u>-</u>	<u>45,000</u>
Movements in the year:		2018 £
Liability at 1 January 2018		45,000
Credit to profit or loss		(45,000)
		<u>-</u>
Liability at 31 December 2018		<u>-</u>

JENOPTIK TRAFFIC SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

21 Retirement benefit schemes

The Company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the Company in an independently administered fund.

The charge to profit and loss in respect of defined contribution schemes was £235,275 (2017: £180,861).

22 Share capital

	2018 £	2017 £
Ordinary share capital		
Issued and fully paid		
400,000 Ordinary shares of £1 each	400,000	400,000

The Company has one class of ordinary shares which rank equally for voting purposes, dividend distribution and any distribution on a winding up. The shares are not redeemable.

23 Operating lease commitments

Lessee

Operating lease payments represent rentals payable by the Company for properties and equipment. Leases on properties are negotiated for terms between 1 and 5 years. Leases on equipment are negotiated for terms of between 3 and 5 years.

At the reporting end date the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2018 £	2017 £
Within one year	52,711	171,595
Between two and five years	2,216,052	45,667
In over five years	3,544,118	-
	5,812,881	217,262

24 Ultimate controlling party

The immediate parent Company of Jenoptik Traffic Solutions UK Limited is Vysionics ITS Holdings Limited.

The ultimate controlling party is Jenoptik Aktiengesellschaft.

The Company has been consolidated within the group accounts for Jenoptik Holdings UK Limited, which is the smallest group in which it is consolidated, and it has also been consolidated within the accounts for Jenoptik Aktiengesellschaft, which is the largest group in which it is consolidated. The accounts are publicly available from the Company's registered office.

25 Related party transactions

Transactions with related parties

During the year the company entered into the following transactions with related parties.

JENOPTIK TRAFFIC SOLUTIONS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

25 Related party transactions (Continued)

Sales in the year to Jenoptik Robot GmbH, a parent company amounted to £134,891 (2017: £928,076)
Sales in the year to Jenoptik Australia Pty Ltd, a subsidiary of a parent company amounted to £67,487 (2017: £132,904)
Sales in the year to Jenoptik North America, a fellow group company amounted to £60,974 (2017: £9,745)

The amounts owed from related companies as at 31 December 2018 was as follows

Jenoptik Robot GmbH	£596,319	(2017: £502,644)
Jenoptik Australia Pty Ltd	£9,546	(2017: £33,778)
Jenoptik SSC GmbH	£103,694	(2017: £Nil)
Jenoptik Aktiengesellschaft	£2,863,332	(2017: £1,150,076)

Purchases in the year from Jenoptik Robot GmbH, a parent company amounted to £164,450 (2017: £9,668)

Purchases in the year from Jenoptik SSC GmbH amounted to £49,930 (2017: £17,018)

Purchases in the year from Jenoptik Aktiengesellschaft, ultimate controlling party amounted to £245,646 (2017: £177,016)

The amounts owed to related companies as at 31 December 2018 was as follows:

Jenoptik Robot GmbH	£54,011	(2017: £4,319)
Jenoptik Aktiengesellschaft	£344,262	(2017: £14,016)
Vysionics ITS Holdings Ltd	£99,887	(2017: £28,810)