# Jenoptik Traffic Solutions UK Limited

Registered number: 03540380

## Directors' report and unaudited financial statements

**For the year ended 31 December 2019**

**JENOPTIK TRAFFIC SOLUTIONS UK LIMITED**

## *COMPANY INFORMATION*

| | |
|---|---|
| **Directors** | K Chevis<br>G A Collins<br>R Gorringe<br>M Wendlik (resigned 30 November 2019) |
| **Registered number** | 03540380 |
| **Registered office** | Ten Watchmoor Park<br>Riverside Way<br>Camberley<br>Surrey<br>GU15 3YL |
| **Bankers** | Deutsche Bank AG<br>Winchester House<br>1 Great Winchester Street<br>London<br>EC2N 2DB |

JENOPTIK TRAFFIC SOLUTIONS UK LIMITED

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# STRATEGIC REPORT
# FOR THE YEAR ENDED 31 DECEMBER 2019

## Introduction

The directors present the strategic report and financial statements for the year ended 31 December 2019.

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.

## Business review

Turnover rose significantly to £17,717,257 (2018: £13,011,609) in the year representing a 36% increase on the previous year. This is predominantly down to strong growth in the Company's home UK market as well as improved international revenues.

*Gross margins increased from 50% achieved in 2018 to 60% this year, which is largely driven by the change in* sales mix and delivering more profitable projects.

Loss before taxation and amortisation for the year was £1,748,851 (2018: £3,792,012), being an improvement on 2018 performance by £2,043,161. The key reasons for the improvement are the improvement in gross profit less an increased in investment in research & development activities and costs associated with continued expansion of our international reach.

## 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 research & development 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.

**Financial key performance indicators**

Revenue showed a 36% increase on prior year, from £13,011,609 to £17,717,257.

Gross profit increased from £6,555,924 to £10,684,554, which also represented an improvement in percentage terms relative to turnover from 50% to 60%.

We completed the year with bank and cashpool balances of £1,655,089 (2018: £2,863,332). Cash collection from customers improved in the year and is now at 35 days (2018: 43 days).

**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 2020 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.

This report was approved by the board on 18/12/20 and signed on its behalf.

**R Gorringe**
Director

## DIRECTORS' REPORT
## FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their report and the financial statements for the year ended 31 December 2019.

**Principal activity**

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.

**Results and dividends**

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

The directors do not recommend the payment of a dividend.

**Directors**

The directors who served during the year were:

K Chevis
G A Collins
R Gorringe
M Wendlik (resigned 30 November 2019)

**Going concern**

Within 12 months from the date of approval of these financial statements, the company is expected to transfer all of its trade, assets and liabilities to its parent company and will cease trading. The Directors have therefore prepared the financial statements on the basis that the company is no longer a going concern. No material adjustments will arise as a result of ceasing to apply the going concern basis. All assets and liabilities will be transferred to the parent company at their carrying amounts.

**Audit exemption**

Jenoptik UK Limited (formerly Jenoptik Holdings UK Limited) have issued a guarantee against all outstanding liabilities to which the company is subject as at 31 December 2019, until they are satisfied in full. The guarantee is enforceable against Jenoptik UK Limited (formerly 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 UK Limited (formerly Jenoptik Holdings UK Limited), the company have taken advantage of the exemption from audit of its individual accounts for the year ended 31 December 2019 by virtue of Section 479A of the Companies Act 2006.

This report was approved by the board on 18 / 12 / 20 and signed on its behalf.

**R Gorringe**
Director

## STATEMENT OF COMPREHENSIVE INCOME
## FOR THE YEAR ENDED 31 DECEMBER 2019

| | Note | 2019<br>£ | 2018<br>£ |
|---|---|---|---|
| Turnover | 4 | 17,717,257 | 13,011,609 |
| Cost of sales | | (7,032,703) | (6,455,685) |
| **Gross profit** | | 10,684,554 | 6,555,924 |
| Other operating income | | 184,708 | - |
| Administrative expenses | | (12,730,276) | (10,502,974) |
| **Operating loss** | 5 | (1,861,014) | (3,947,050) |
| Income from shares in group undertakings | | 511,107 | - |
| Amounts written off investments | | (561,741) | - |
| Interest receivable and similar income | 9 | 13,109 | 3,469 |
| Interest payable and similar expenses | 10 | (2,349) | (468) |
| **Loss before tax** | | (1,900,888) | (3,944,049) |
| Tax on loss | 11 | - | 463,342 |
| **Loss for the financial year** | | (1,900,888) | (3,480,707) |

The notes on pages 8 to 26 form part of these financial statements.

## BALANCE SHEET
## AS AT 31 DECEMBER 2019

| | Note | | 2019 £ | | 2018 £ |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Goodwill | 12 | | 139,368 | | 291,405 |
| Tangible assets | 13 | | 3,311,749 | | 3,706,369 |
| Investments | 14 | | 4,686,832 | | 5,248,573 |
| | | | 8,137,949 | | 9,246,347 |
| **Current assets** | | | | | |
| Stocks | 16 | 1,865,754 | | 1,382,366 | |
| Debtors: amounts falling due within one year | 17 | 12,145,336 | | 12,552,906 | |
| Cash at bank and in hand | | 56,989 | | 92,939 | |
| | | 14,068,079 | | 14,028,211 | |
| Creditors: amounts falling due within one year | 18 | (6,772,007) | | (5,808,958) | |
| **Net current assets** | | | 7,296,072 | | 8,219,253 |
| **Total assets less current liabilities** | | | 15,434,021 | | 17,465,600 |
| Creditors: amounts falling due after more than one year | 19 | | (161,351) | | (284,903) |
| **Provisions for liabilities** | | | | | |
| Provision for liabilities | 20 | (542,928) | | (550,067) | |
| | | | (542,928) | | (550,067) |
| **Net assets** | | | 14,729,742 | | 16,630,630 |
| **Capital and reserves** | | | | | |
| Called up share capital | 22 | | 400,000 | | 400,000 |
| Profit and loss account | | | 14,329,742 | | 16,230,630 |
| | | | 14,729,742 | | 16,630,630 |

**BALANCE SHEET (CONTINUED)**
**AS AT 31 DECEMBER 2019**

For the year ended 31 December 2019 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.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
18/12/20

**R Gorringe**
Director

The notes on pages 8 to 26 form part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 31 DECEMBER 2019

| | Called up share capital | Profit and loss account | Total equity |
|---|---|---|---|
| | £ | £ | £ |
| **At 1 January 2018** | 400,000 | 19,711,337 | 20,111,337 |
| **Comprehensive income for the year** | | | |
| Loss for the year | - | (3,480,707) | (3,480,707) |
| **Other comprehensive income for the year** | - | - | - |
| **Total comprehensive income for the year** | - | (3,480,707) | (3,480,707) |
| **Total transactions with owners** | - | - | - |
| **At 1 January 2019** | 400,000 | 16,230,630 | 16,630,630 |
| **Comprehensive income for the year** | | | |
| Loss for the year | - | (1,900,888) | (1,900,888) |
| **Other comprehensive income for the year** | - | - | - |
| **Total comprehensive income for the year** | - | (1,900,888) | (1,900,888) |
| **Total transactions with owners** | - | - | - |
| **At 31 December 2019** | 400,000 | 14,329,742 | 14,729,742 |

The notes on pages 8 to 26 form part of these financial statements.

## 1. General 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.

## 2. Accounting policies

### 2.1 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.

## 2. Accounting policies (continued)

### 2.2 Going concern

Within 12 months from the date of approval of these financial statements, the company is expected to transfer all of its trade, assets and liabilities to its parent company and will cease trading. The Directors have therefore prepared the financial statements on the basis that the company is no longer a going concern. No material adjustments will arise as a result of ceasing to apply the going concern basis. All assets and liabilities will be transferred to the parent company at their carrying amounts.

### 2.3 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.

### 2.4 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.

### 2.5 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.

## 2. Accounting policies (continued)

### 2.6 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 8 years |
| Fixtures and fittings | 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.

### 2.7 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.

## 2. Accounting policies (continued)

### 2.8 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.

### 2.9 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.

**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.

**2. Accounting policies (continued)**

**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.

**Derecognition of financial liabilities**

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

## 2. Accounting policies (continued)

### 2.10 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.

### 2.11 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 .

### 2.12 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.

## 2. Accounting policies (continued)

### 2.13 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.

### 2.14 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.

### 2.15 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.

### 2.16 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

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

### 2.17 Impairment of fixed assets and goodwill

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

## 3. Judgments in applying accounting policies 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.

## 3. Judgments in applying accounting policies (continued)

### 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 £139,368 and is being amortised over an anticipated 10 year life.

## 4. Turnover

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

| | 2019 £ | 2018 £ |
|---|---|---|
| Turnover derived from principal activity | 17,717,257 | 13,011,609 |
| | 17,717,257 | 13,011,609 |

Analysis of turnover by country of destination:

| | 2019 £ | 2018 £ |
|---|---|---|
| United Kingdom | 16,159,851 | 12,578,570 |
| Rest of Europe | 376,102 | 309,116 |
| Rest of the world | 1,181,304 | 123,923 |
| | 17,717,257 | 13,011,609 |

## 5. Operating loss

The operating loss is stated after charging:

| | 2019<br>£ | 2018<br>£ |
|---|---|---|
| Exchange differences | 5,821 | 20,547 |
| Research & development charged as an expense | 600,378 | 474,289 |
| Amounts written off investments | 561,741 | - |
| Depreciation of tangible fixed assets | 853,198 | 646,521 |
| Amortisation of intangible assets | 152,037 | 152,037 |
| Operating lease rentals | 648,780 | 342,409 |

## 6. Employees

Staff costs were as follows:

| | 2019<br>£ | 2018<br>£ |
|---|---|---|
| Staff salaries | 6,155,946 | 4,844,349 |
| Social security costs | 726,872 | 602,255 |
| Cost of defined contribution scheme | 296,757 | 235,275 |
| | 7,179,575 | 5,681,879 |

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

| | 2019<br>No. | 2018<br>No. |
|---|---|---|
| Project managers and service engineers | 50 | 42 |
| Sales and administration | 27 | 20 |
| Research and development engineers | 24 | 18 |
| Directors | 3 | 3 |
| | 104 | 83 |

## 7. Directors' remuneration

| | 2019<br>£ | 2018<br>£ |
|---|---|---|
| Directors' emoluments | 644,076 | 514,460 |
| Company contributions to defined contribution pension schemes | 26,605 | 23,543 |
| | 670,681 | 538,003 |

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2018: 3).

The highest paid director received remuneration of £297,840 (2018: £283,349) and company pension contributions to defined contribution schemes of £11,400 (2018: £11,250).

## 8. Income from shares in group undertakings

| | 2019<br>£ | 2018<br>£ |
|---|---|---|
| Dividends received from subsidiary undertaking | 511,107 | - |
| | 511,107 | - |

During the year, total dividends of £511,107 (2018:£nil) were received from Computer Recognition Systems Limited.

## 9. Interest receivable

| | 2019<br>£ | 2018<br>£ |
|---|---|---|
| Other interest receivable | 13,109 | 3,469 |
| | 13,109 | 3,469 |

## 10. Interest payable and similar expenses

| | 2019<br>£ | 2018<br>£ |
|---|---|---|
| Bank interest payable | 2,349 | 468 |
| | 2,349 | 468 |

## 11. Taxation

| | 2019<br>£ | 2018<br>£ |
|---|---|---|
| **Corporation tax** | | |
| Adjustments in respect of previous periods | - | (418,342) |
| | - | (418,342) |
| **Total current tax** | - | (418,342) |
| **Deferred tax** | | |
| Origination and reversal of timing differences | - | (45,000) |
| **Total deferred tax** | - | (45,000) |
| **Taxation on profit/(loss) on ordinary activities** | - | (463,342) |

## 11. Taxation (continued)

### Factors affecting tax charge for the year

The tax assessed for the year is the same as (2018 - lower than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

| | 2019<br>£ | 2018<br>£ |
|---|---|---|
| Loss on ordinary activities before tax | (1,900,888) | (3,944,049) |
| Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%) | (361,169) | (749,369) |
| **Effects of:** | | |
| Expenses not deductible for tax purposes, other than goodwill amortisation and impairment | 123,714 | 3,495 |
| Income not taxable | (97,110) | - |
| Adjustments to tax charge in respect of prior periods | - | (418,342) |
| Fixed asset ineligible depreciation | 39,992 | 6,401 |
| Qualifying donations unutilised | 351 | 111 |
| Losses carried back | - | 462,510 |
| Adjust opening and closing deferred tax to average rate of 19% | 30,971 | 29,142 |
| Deferred tax not recognised | 263,251 | 202,710 |
| **Total tax charge for the year** | - | (463,342) |

## 12. Intangible assets

| | Development costs £ | Goodwill £ | Total £ |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 2019 | 2,363,700 | 1,520,369 | 3,884,069 |
| At 31 December 2019 | 2,363,700 | 1,520,369 | 3,884,069 |
| **Amortisation** | | | |
| At 1 January 2019 | 2,363,700 | 1,228,964 | 3,592,664 |
| Charge for the year | - | 152,037 | 152,037 |
| At 31 December 2019 | 2,363,700 | 1,381,001 | 3,744,701 |
| **Net book value** | | | |
| At 31 December 2019 | - | 139,368 | 139,368 |
| At 31 December 2018 | - | 291,405 | 291,405 |

## 13. Tangible fixed assets

| | Leasehold improvements £ | Plant and machinery £ | Motor vehicles £ | Fixtures and fittings £ | Total £ |
|---|---|---|---|---|---|
| **Cost or valuation** | | | | | |
| At 1 January 2019 | 1,946,299 | 7,631,228 | 98,951 | 292,692 | 9,969,170 |
| Additions | 86,851 | 364,810 | - | 6,917 | 458,578 |
| Disposals | - | (1,018,104) | (16,000) | (259,896) | (1,294,000) |
| At 31 December 2019 | 2,033,150 | 6,977,934 | 82,951 | 39,713 | 9,133,748 |
| **Depreciation** | | | | | |
| At 1 January 2019 | 33,689 | 5,894,212 | 52,304 | 282,596 | 6,262,801 |
| Charge for the year on owned assets | 210,486 | 624,232 | 13,179 | 5,301 | 853,198 |
| Disposals | - | (1,018,104) | (16,000) | (259,896) | (1,294,000) |
| At 31 December 2019 | 244,175 | 5,500,340 | 49,483 | 28,001 | 5,821,999 |
| **Net book value** | | | | | |
| At 31 December 2019 | 1,788,975 | 1,477,594 | 33,468 | 11,712 | 3,311,749 |
| At 31 December 2018 | 1,912,610 | 1,737,016 | 46,647 | 10,096 | 3,706,369 |

## 14. Fixed asset investments

| | Investments in subsidiary companies £ |
|---|---|
| **Cost or valuation** | |
| At 1 January 2019 | 5,248,573 |
| Amounts written off | (561,741) |
| At 31 December 2019 | 4,686,832 |

During the year, the subsidiary undertaking Computer Recognition Systems Limited was dissolved and its total investment cost written off.

## 14. Fixed asset investments (continued)

### Subsidiary undertaking

The following was a subsidiary undertaking of the Company:

| Name of undertaking | Registered office | Nature of business | Class of shares | Holding |
|---|---|---|---|---|
| Domestic and Commercial Security Limited | England and Wales | Software Development | Ordinary | 100% |

During the year, the subsidiary undertaking Computer Recognition Systems Limited was dissolved.

## 15. Financial instruments

| | 2019 £ | 2018 £ |
|---|---|---|
| **Carrying amount of financial assets** | | |
| Debt instruments measured at amortised cost | 10,900,428 | 11,735,201 |
| Equity instruments measured at cost less impairment | 4,686,832 | 5,248,573 |
| **Carrying amount of financial liabilities** | | |
| Measured at amortised cost | 3,551,814 | 3,790,235 |

## 16. Stocks

| | 2019 £ | 2018 £ |
|---|---|---|
| Raw materials and consumables | 148,395 | 11,721 |
| Work in progress (goods to be sold) | 176,610 | 34,769 |
| Finished goods and goods for resale | 1,540,749 | 1,335,876 |
| | 1,865,754 | 1,382,366 |

Cost of stocks recognised as an expense in the financial statements amount to £2,806,146 (2018: £1,278,477).

Included within the financial statements is a provision for stock impairment amounting to £164,664 (2018: £151,160).

## 17. Debtors

| | 2019<br>£ | 2018<br>£ |
|---|---|---|
| Trade debtors | 3,060,988 | 2,265,115 |
| Amounts owed by group undertakings * | 7,479,745 | 8,398,527 |
| Other debtors | 65,916 | 73,718 |
| Prepayments and accrued income | 1,070,175 | 1,347,034 |
| Tax recoverable | 468,512 | 468,512 |
| | 12,145,336 | 12,552,906 |

* This includes the £1,655,089 group cash pooling facility which the Company is able to draw down on demand.

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

| | 2019<br>£ | 2018<br>£ |
|---|---|---|
| Trade creditors | 1,762,433 | 1,018,747 |
| Amounts owed to parent undertaking | 99,887 | 71,057 |
| Amounts owed to own subsidiary undertaking | 66,033 | 831,808 |
| Amounts owed to other group companies | - | 398,273 |
| Other taxation and social security | 789,502 | 419,559 |
| Other creditors | 137,424 | 21,297 |
| Accruals and deferred income | 3,916,728 | 3,048,217 |
| | 6,772,007 | 5,808,958 |

## 19. Creditors: Amounts falling due after more than one year

| | 2019<br>£ | 2018<br>£ |
|---|---|---|
| Deferred income | 161,351 | 284,903 |
| | 161,351 | 284,903 |

## 20. Provisions for liabilities

| | Dilapidation provision £ | Warranty provision £ | Total £ |
|---|---|---|---|
| At 1 January 2019 | 490,984 | 59,083 | 550,067 |
| Charged to profit or loss | (3,143) | (3,996) | (7,139) |
| **At 31 December 2019** | 487,841 | 55,087 | 542,928 |

## 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 the profit and loss in respect of defined contribution schemes was £296,757 (2018: £235,275).

## 22. Share capital

| | 2019 £ | 2018 £ |
|---|---|---|
| **Allotted, called up and fully paid** | | |
| 400,000 (2018 - 400,000) Ordinary shares of £1.00 each | 400,000 | 400,000 |

## 23. Commitments under operating leases

Operating lease payments represent rentals payable by the Company for properties and equipment. Leases on properties are negotiated for terms between 1 and 10 years. Leases on equipment are negotiated for terms of between 3 and 5 years.

At 31 December 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

| | 2019 £ | 2018 £ |
|---|---|---|
| Not later than 1 year | 93,507 | 52,711 |
| Later than 1 year and not later than 5 years | 3,082,182 | 2,216,052 |
| Later than 5 years | 2,797,988 | 3,544,118 |
| | 5,973,677 | 5,812,881 |

## 24. Related party transactions

During the year the Company entered into the following transactions with related parties:

Sales in the year to Jenoptik Robot GmbH, a parent company amounted to £637,854 (2018: £134,891)

Sales in the year to Jenoptik Australia Pty Ltd, a fellow group company amounted to £336,889 (2018: £67,487).

Sales in the year to Jenoptik North America, a fellow group company amounted to £32,685 (2018: £60,974).

Sales in the year to Robot Nederland B.V, a fellow group company amounted to £45,182 (2018:£nil)

The amounts owed from related companies as at 31 December 2019 was as follows:

| | | |
|---|---|---|
| Jenoptik Robot GmbH | £nil | (2018: £596,319) |
| Jenoptik Australia Pty Ltd | £9,259 | (2018: £9,546) |
| Jenoptik SSC GmbH | £nil | (2018: £103,694) |
| Jenoptik Aktiengesellschaft | £1,655,089 | (2018: £2,863,332) |

Purchases in the year from Jenoptik Robot GmbH, a parent company amounted to £472,488 (2018: £164,450).

Purchases in the year from Jenoptik SSC GmbH, a fellow group company amounted to £18,880 (2018: £49,930).

Purchases in the year from Jenoptik Aktiengesellshaft, the ultimate controlling party amounted to £276,437 (2018: £245,646).

Purchases in the year from Jenoptik Industrial Metrology France, a fellow group company amounted to £106,639 (2018:£nil)

Purchases in the year from Radarlux Radar Systems GmbH, a fellow group company amounted to £6,235 (2018:£nil)

The amounts owed to related companies as at 31 December 2019 was as follows:

| | | |
|---|---|---|
| Jenoptik Robot GmbH | £nil | (2018: £54,011) |
| Jenoptik Aktiengesellschaft | £nil | (2018: £344,262) |
| Vysionics ITS Holdings Ltd | £nil | (2018: £99,887) |

## 25. Controlling party

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

The ultimate controlling party is Jenoptik Akteingesellschaft.

The Company has been consolidated within the group accounts for Jenoptik UK Limited (formerly 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.