Financial Statements
Gentex HISL Limited

For the year ended 31 December 2015

Registered number: 09069589

Company Information

Directors	L P Frieder III H Acker R Dellar
Company secretary	Jordan Company Secretaries Limited
Registered number	09069589
Registered office	20-22 Bedord Row London WC1R 4JS
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor Grant Thornton House 202 Silbury Boulevard Milton Keynes MK9 1LW

Gentex HISL Limited
Registered number:09069589

Contents

Gentex HISL Limited
Registered number:09069589

Group Strategic Report

For the year ended 31 December 2015

Introduction

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

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

Business review

Turnover for the year, on an annualised basis, showed a 21% increase on the previous 7 month period including the pre-acquisition period to 4 July 2014. This was largely accounted for by the completion of the deliverable phase of the supply of aircrew helmets and spares for the French DGA.

Considerable investment has been made in new staff, primarily in the sales and manufacturing engineering functions to take advantage of the greater opportunities resulting from the change of ownership in the previous year by Gentex Corporation ("Gentex").

Despite these additional costs, operating profit for the year before amortisation and impairment of intangible assets was £973,570 against an equivalent operating profit of £687,600 for the previous 7 month period.

Future prospects

A review of the Gentex Corporation Group's marketing and distribution strategy has been completed and as a result the largest operating company within the Gentex HISL Group, Helmet Integrated Systems Limited ("HISL"), has started to promote some of Gentex's products outside of the US. Investment in new products continues, and should generate revenue towards the end of the year, although the full benefit from the investment will not be forthcoming until 2017.

Gentex HISL's subsidiary in the US, Interactive Safety Products Inc. ("ISPI") is in the final stages of a development programme to supply a major US mining company with a safety helmet that provides head, respiratory, and eye protection, together with a fully integrated audio communication system. Production tooling is almost complete and it is anticipated that certification and approvals will be obtained by October 2016, leading to first deliveries to the customer in early 2017.

Group Strategic Report (continued)

For the year ended 31 December 2015

Principal risks and uncertainties

Global military and health and safety standards are constantly evolving, and the directors consider that there is a risk to the business of not staying at the forefront of industry developments. In last year's Financial Statements the directors referred to the planned introduction of two new quality standards by HISL:

- "AS9100 is a widely adopted and standardized quality management system for the aerospace industry. Major aerospace manufacturers and contractors worldwide are beginning to require compliance and/or registration to AS9100 as a condition of doing business with them. A consultant specialising in this field has been appointed to assist and work has commenced with a view to having full accreditation by the end of September 2016."

A subsequent detailed analysis of the AS9100 standard has led the board to the conclusion that, while the AS9100 standard is our goal, it will be achieved through incremental steps – the first of which is to comply and become accredited to the latest ISO9001 standard (ISO9001:2015). The Group's major customers have agreed with this policy.

- "The Design Approved Organisation Scheme (DAOS) is a mechanism by which competence of design organisations can be assessed by UK MoD. MoD policy is eventually to only procure from contractors who have been assessed as competent. The board is pleased to announce that provisional accreditation has been awarded. It was anticipated that final certification would be obtained by July 2015."

However, the delay by UK MoD to provide a suitable training course to assist with completion of one of the outstanding issues has delayed final accreditation until August 2016.

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

As a more general point, the worldwide economic recession that has affected all businesses over the last five years, has required the board to carefully balance:

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

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

Financial controls

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

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

Group Strategic Report (continued)

For the year ended 31 December 2015

Financial risk management

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

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

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

Financial key performance indicators

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

This report was approved by the board on June 14, 2016 and signed on its behalf.

H Acker
Director

Directors' Report
For the year ended 31 December 2015

The directors present their report and the financial statements for the year ended 31 December 2015.

Directors' responsibilities statement

The directors are responsible for preparing the Group Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

Results and dividends

The loss for the year, after taxation, amounted to £2,503,193 (2014 - loss £982,247).

Accounting standard FRS 102 has been adopted for the first time, requiring the directors to re-evaluate the content and anticipated useful life of goodwill. In particular, there is now a requirement to separately identify goodwill associated with long term customer contracts and agreements and classify this amount as an intangible asset, where it is subsequently amortised over its useful economic life. £3,142,251 has been amortised in the year and an additional impairment charge of £866,949 has been made as a result of an operational decision to transfer a major sales contract from HISL to Gentex Corporation. As a result of these adjustments there is a deferred tax credit of £801,840 in the year.

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

Gentex HISL Limited

Directors' Report

For the year ended 31 December 2015

Directors

The directors who served during the year were:

L P Frieder III
H Acker
R Dellar

Future developments

Since the balance sheet date, considerable investment has been made in HISL in new staff, primarily in the sales and manufacturing engineering functions to take advantage of the greater opportunities resulting from the change of ownership. It is the intention of Gentex to use HISL to promote some of its products outside of the US and other international locations are being explored. As with most major investments there is a time lag between the investment and the returns from that investment. Consequently, no significant turnover from new markets and products has been budgeted for the year to 31 December 2016.

Financial instruments

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

Disclosure of information to auditor

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

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

Post balance sheet events

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

Auditors

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

This report was approved by the board on June 14, 2016 and signed on its behalf.

H Acker
Director

Grant Thornton

Independent Auditor's Report to the Members of Gentex HISL Limited

We have audited the financial statements of Gentex HISL Limited for the year ended 31 December 2015, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated and Company Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 December 2015 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Group Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Grant Thornton

Independent Auditor's Report to the Members of Gentex HISL Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Grant Thornton UK LLP

Jeremy Read (Senior Statutory Auditor)

for and on behalf of
Grant Thornton UK LLP

Chartered Accountants
Statutory Auditor

Grant Thornton House
Milton Keynes
Date: 14 June 2016

Gentex HISL Limited
Registered number:09069589

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

	Note	31 December 2015 £	3 June 2014 to 31 December 2014 £
Turnover	4	**19,641,097**	9,435,997
Cost of sales		**(12,071,391)**	(5,654,429)
Gross profit		**7,569,706**	3,781,568
Distribution costs		**(2,120,349)**	(1,292,822)
Administrative expenses		**(4,475,787)**	(1,801,146)
Operating profit before amortisation and impairment of intangible assets	5	**973,570**	687,600
Amortisation and impairment of intangible assets		**(4,125,430)**	(2,031,914)
Operating loss		**(3,151,860)**	(1,344,314)
Interest receivable and similar income		**491**	-
Interest payable and expenses		**-**	(116)
Loss before taxation		**(3,151,369)**	(1,344,430)
Tax on loss	7	**648,176**	362,183
Loss for the year		**(2,503,193)**	(982,247)
Other comprehensive income			
Exchange rate difference on translation of foreign subsidiaries		**146,595**	240,387
Other comprehensive income for the year		**146,595**	240,387
Total comprehensive income for the year		**(2,356,598)**	(741,860)
Loss for the financial year attributable to:			
Owners of the parent Company		**(2,503,193)**	(982,247)
		(2,503,193)	(982,247)
Total comprehensive income for the financial year attributable to:			
Owners of the parent Company		**(2,356,598)**	(741,860)
		(2,356,598)	(741,860)

Consolidated Statement of Financial Position

As at 31 December 2015

	Note		2015 £		2014 £
Fixed assets					
Intangible assets	9		7,259,795		11,230,215
Tangible assets	10		2,096,988		2,035,289
			9,356,783		13,265,504
Current assets					
Stocks	12	3,431,187		4,942,501	
Debtors: amounts falling due within one year	13	3,887,215		3,625,452	
Cash at bank and in hand		637,713		1,893,606	
		7,956,115		10,461,559	
Creditors: amounts falling due within one year	14	(18,961,248)		(22,249,512)	
Net current liabilities			(11,005,133)		(11,787,953)
Total assets less current liabilities			(1,648,350)		1,477,551
Provisions for liabilities					
Deferred taxation	16	(1,450,107)		(2,219,410)	
			(1,450,107)		(2,219,410)
Net assets			(3,098,457)		(741,859)
Capital and reserves					
Called up share capital	17		1		1
Foreign exchange reserve	18		386,982		240,387
Profit and loss account	18		(3,485,440)		(982,247)
Deficit attributable to owners of the parent Company			(3,098,457)		(741,859)

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 14 June 2016

H Acker
Director

The notes on pages 15 to 36 form part of these financial statements.

Gentex HISL Limited
Registered number:09069589

Company Statement of Financial Position
As at 31 December 2015

	Note		2015 £		2014 £
Fixed assets					
Investments	11		**15,000,000**		15,000,000
			15,000,000		15,000,000
Current assets					
Debtors: amounts falling due within one year	13	**1**		1	
		1		1	
Creditors: amounts falling due within one year	14	**(15,000,000)**		(15,000,000)	
Net current liabilities			**(14,999,999)**		(14,999,999)
Total assets less current liabilities			**1**		1
Net assets			**1**		1
Capital and reserves					
Called up share capital	17		**1**		1
Shareholders' funds			**1**		1

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 14 June 2016

H Acker
Director

The notes on pages 15 to 36 form part of these financial statements.

Gentex HISL Limited
Registered number:09069589

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Share capital	Foreign exchange reserve	Retained earnings	Total equity
	£	£	£	£
At 1 January 2015	1	240,387	(982,247)	(741,859)
Comprehensive income for the year				
Loss for the year	-	-	(2,503,193)	(2,503,193)
Currency translation difference	-	146,595	-	146,595
Other comprehensive income for the year	-	146,595	-	146,595
Total comprehensive income for the year	-	146,595	(2,503,193)	(2,356,598)
At 31 December 2015	1	386,982	(3,485,440)	(3,098,457)

Gentex HISL Limited
Registered number:09069589

Consolidated Statement of Changes in Equity

For the period from incorporation (3 June 2014) to 31 December 2014

	Share capital	Foreign exchange reserve	Retained earnings	Total equity
	£	£	£	£
At 3 June 2014 (date of incorporation)	-	-	-	-
Comprehensive income for the period				
Loss for the period	-	-	(982,247)	(982,247)
Currency translation difference	-	240,387	-	240,387
Other comprehensive income for the period	-	240,387	-	240,387
Total comprehensive income for the period	-	240,387	(982,247)	(741,860)
Shares issued during the period	1	-	-	1
Total transactions with owners	1	-	-	1
At 31 December 2014	1	240,387	(982,247)	(741,859)

The notes on pages 15 to 36 form part of these financial statements.

Company Statement of Changes in Equity

For the year ended 31 December 2015

	Share capital	Total equity
	£	£
At 1 January 2015	1	1
At 31 December 2015	**1**	**1**

For the period from incorporation (3 June 2014) to 31 December 2014

	Share capital	Total equity
	£	£
Contributions by and distributions to owners		
Shares issued during the period	1	1
At 31 December 2014	**1**	**1**

The notes on pages 15 to 36 form part of these financial statements.

Gentex HISL Limited
Registered number:09069589

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	2015 £	2014 £
Cash flows from operating activities		
Loss for the financial year	**(2,503,193)**	(982,247)
Adjustments for:		
Amortisation of intangible assets	**3,228,481**	1,632,965
Depreciation of tangible assets	**307,684**	224,604
Impairments of fixed assets	**896,949**	108,319
Increase/(decrease) in stocks	**1,511,314**	(4,942,501)
Interest paid	**-**	116
Interest received	**(491)**	-
Taxation	**(648,176)**	(362,183)
Increase in debtors	**(424,025)**	(3,463,190)
(Decrease)/increase in creditors	**(5,257,870)**	6,807,328
Increase in amounts owed to group undertakings	**1,776,898**	15,443,077
Corporation tax	**566,227**	(75,000)
Foreign exchange gains and losses	**(139,040)**	(14,646)
Net cash generated from operating activities	**(685,242)**	14,376,642
Cash flows from investing activities		
Purchase of intangible fixed assets	**(155,010)**	(7,851)
Purchase of tangible fixed assets	**(416,132)**	(95,519)
Interest received	**491**	-
Fair value of purchase of subsidiary undertaking	**-**	(13,526,050)
Net cash acquired	**-**	1,146,501
Net cash from investing activities	**(570,651)**	(12,482,919)
Cash flows from financing activities		
Issue of ordinary shares	**-**	(1)
Interest paid	**-**	(116)
Net cash used in financing activities	**-**	(117)
Net (decrease) / increase in cash and cash equivalents	**(1,255,893)**	1,893,606
Cash and cash equivalents at beginning of year	**1,893,606**	-
Cash and cash equivalents at the end of year	**637,713**	1,893,606
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	**637,713**	1,893,606
	637,713	1,893,606

Notes to the Financial Statements
For the year ended 31 December 2015

1. General information

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

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

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006. These financial statements are the first of the company prepared in accordance with FRS 102.

Information on the impact of first-time adoption of FRS 102 is given in note 20.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of Gentex HISL Limited and its own subsidiaries ("the Group") as they formed a single entity. No profit and loss account is presented for Gentex HISL Limited as permitted by section 408 of the Companies Act 2006. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

2.3 Going concern

Notwithstanding net liabilities of £ 3,098,457 at the balance sheet date, the directors have prepared the financial statements on a going concern basis. The Directors have reviewed the Group's cash flow projections for the next 12 months after the date of signing of the financial statements coupled with the strong consolidated balance sheet position, the Directors are confident they will have adequate resources to meet the requirements of the business for the foreseeable future. The Directors have obtained a letter of support from Gentex Corporation who will continue to support the Group for the 12 months from the signing of the financial statements. The Directors have therefore prepared these financial statements on a going concern basis.

Notes to the Financial Statements

For the year ended 31 December 2015

2. Accounting policies (continued)

2.4 Revenue

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

Sale of goods

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

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

Revenue on the sale of protective headgear is recognised on despatch to customers, except for customers whose arrangements are to call off orders (and take ownership of goods) in accordance with contractual terms which are not dependent on physical delivery of product at that point.

Notes to the Financial Statements
For the year ended 31 December 2015

2. Accounting policies (continued)

2.5 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Income Statement over its useful economic life.

Other intangible assets

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

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

The estimated useful lives range as follows:

Development costs	-	5 - 10 years
Goodwill	-	10 years
Customer contracts	-	5 - 10 years
Production backlog	-	1.5 years
Computer software	-	4 years

2.6 Tangible fixed assets

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

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Notes to the Financial Statements

For the year ended 31 December 2015

2. Accounting policies (continued)

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

Depreciation is provided on the following basis:

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

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the Consolidated Statement of Comprehensive Income.

2.7 Operating leases: Lessor

Rentals paid under operating leases are charged to the profit or loss on a straight line basis over the period of the lease.

2.8 Impairment of fixed assets and goodwill

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

2.9 Valuation of investments

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

Notes to the Financial Statements

For the year ended 31 December 2015

2. Accounting policies (continued)

2.10 Stocks

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

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

2.11 Cash and cash equivalents

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

Notes to the Financial Statements

For the year ended 31 December 2015

2. Accounting policies (continued)

2.12 Financial instruments

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

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

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

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

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

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

2.13 Derivative financial instruments

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

2.14 Creditors

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

Notes to the Financial Statements

For the year ended 31 December 2015

2. Accounting policies (continued)

2.15 Government grants

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

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

2.16 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

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

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

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement except when deferred in other comprehensive income as qualifying cash flow hedges.

On consolidation, the results of overseas operations are translated into sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

2.17 Finance costs

Finance costs are charged to the Income Statement over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Notes to the Financial Statements
For the year ended 31 December 2015

2. Accounting policies (continued)

2.18 Pensions

Defined contribution pension plan

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

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

2.19 Interest income

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

2.20 Provisions for liabilities

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

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

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

Notes to the Financial Statements
For the year ended 31 December 2015

2. Accounting policies (continued)

2.21 Current and deferred taxation

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

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

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

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

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

2.22 Research and development

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

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

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

The preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include revenue recognition, considering potential impairments within stock and trade debtors and the useful economic life of goodwill, intangible fixed assets and tangible fixed assets.

Notes to the Financial Statements

For the year ended 31 December 2015

4. Analysis of turnover

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

	31 December 2015 £	3 June 2014 to 31 December 2014 £
Manufacturing and distribution of protective headgear and associated equipment	**19,641,097**	9,435,997
	19,641,097	9,435,997

5. Operating profit

The operating profit is stated after charging:

	31 December 2015 £	3 June 2014 to 31 December 2014 £
Depreciation of tangible fixed assets	**307,684**	66,027
Amortisation of intangible assets, including goodwill	**3,228,481**	1,923,596
Impairment of intangible assets	**896,949**	108,319
Fees payable to the Group's auditor and its associates for the audit of the company's annual financial statements	**3,000**	3,000
- The audit of the Group's subsidiaries pursuant to legislation	**29,000**	35,000
- Taxation compliance services	**6,000**	9,000
Foreign exchange (gain)/loss	**(139,040)**	(14,646)

Notes to the Financial Statements
For the year ended 31 December 2015

6. Directors and employees

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

	31 December 2015 £	3 June 2014 to 31 December 2014 £
Wages and salaries	**5,189,237**	2,345,048
Social security costs	**482,427**	305,154
Cost of defined contribution scheme	**121,716**	63,043
	5,793,380	2,713,245

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

	31 December 2015 No.	3 June 2014 to 31 December 2014 No.
Production	**117**	123
Selling and distribution	**23**	20
Administration	**53**	56
	193	199

Directors' emoluments are disclosed in the financial statements of the UK subsidiary company. No directors received emoluments from the Company.

Notes to the Financial Statements

For the year ended 31 December 2015

7. Taxation

	31 December 2015 £	3 June 2014 to 31 December 2014 £
Corporation tax		
Current tax on profits for the year	**138,594**	(48,070)
Adjustments in respect of previous periods	**(17,467)**	-
	121,127	(48,070)
Total current tax	**121,127**	(48,070)
Deferred tax		
Origination and reversal of timing differences	**(769,303)**	(314,113)
Total deferred tax	**(769,303)**	(314,113)
Taxation on loss on ordinary activities	**(648,176)**	(362,183)

Notes to the Financial Statements

For the year ended 31 December 2015

7. Taxation (continued)

Factors affecting tax charge for the year/period

The tax assessed for the year/period is higher than (2014 - lower than) the standard rate of corporation tax in the UK of 20.25% (2014 - 21.71%%). The differences are explained below:

	31 December 2015 £	3 June 2014 to 31 December 2014 £
Profit on ordinary activities before tax	**(3,151,369)**	(1,344,430)
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014 - 21.71%)	**(638,152)**	(291,876)
Effects of:		
Expenses not deductible for tax purposes	**45,687**	3,189
Adjustments to tax charge in respect of prior periods	**(17,467)**	-
Adjust opening and closing deferred tax to average rate of 20.25%	**(13,208)**	(136)
Other differences leading to a decrease in the tax charge	**(25,036)**	(73,360)
Total tax credit for the year/period	**(648,176)**	(362,183)

Factors that may affect future tax charges

There were no factors that are currently expected to affect future tax charges.

8. Parent Company Profit for the year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The profit after tax of the parent Company for the year was £NIL (2014 - £NIL).

Notes to the Financial Statements

For the year ended 31 December 2015

9. Intangible assets

Group

	Computer software	Development costs	Customer contracts	Production backlog	Goodwill
	£	£	£	£	£
Cost					
At 1 January 2015	316,872	683,371	9,849,368	2,482,656	164,896
Additions	39,026	115,984	-	-	-
At 31 December 2015	355,898	799,355	9,849,368	2,482,656	164,896
Amortisation					
At 1 January 2015	290,631	396,946	743,574	827,552	8,245
Charge for the year	23,574	46,167	1,487,147	1,655,104	16,489
Impairment charge	-	30,000	866,949	-	-
At 31 December 2015	314,205	473,113	3,097,670	2,482,656	24,734
Net book value					
At 31 December 2015	41,693	326,242	6,751,698	-	140,162
At 31 December 2014	26,241	286,425	9,105,794	1,655,104	156,651

	Total
	£
Cost	
At 1 January 2015	13,497,163
Additions	155,010
At 31 December 2015	13,652,173
Amortisation	
At 1 January 2015	2,266,948
Charge for the year	3,228,481
Impairment charge	896,949
At 31 December 2015	6,392,378
Net book value	
At 31 December 2015	7,259,795
At 31 December 2014	11,230,215

Notes to the Financial Statements

For the year ended 31 December 2015

10. Tangible fixed assets

Group

	Freehold property	Short-term leasehold property	Plant and machinery	Total
	£	£	£	£
Cost or valuation				
At 1 January 2015	742,000	93,230	10,459,766	11,294,996
Additions	2,231	2,523	411,378	416,132
At 31 December 2015	744,231	95,753	10,871,144	11,711,128
Depreciation				
At 1 January 2015	29,313	82,689	9,147,705	9,259,707
Depreciation for the period	13,000	1,911	292,773	307,684
Exchange adjustments	-	-	46,749	46,749
At 31 December 2015	42,313	84,600	9,487,227	9,614,140
Net book value				
At 31 December 2015	701,918	11,153	1,383,917	2,096,988
At 31 December 2014	712,687	10,541	1,312,061	2,035,289

Notes to the Financial Statements
For the year ended 31 December 2015

11. Fixed asset investments

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Class of shares	Holding	Principal activity
MID7 Limited	England and Wales	Ordinary	100 %	Dormant
Helmet Integrated Systems Limited [*]	England and Wales	Ordinary	100 %	Design, manufacture, assembly, testing and marketing of protective headgear for military and civilian aircrew
Interactive Safety Products Inc [*]	England and Wales		100 %	Design, manufacture, assembly, testing and marketing of protective headgear for military and civilian aircrew
Helmets Limited [*]	England and Wales	Ordinary	100 %	Dormant
Top Tek International Limited [*]	England and Wales	Ordinary	100 %	Dormant
Pureflo Safety Limited [*]	England and Wales	Ordinary	100 %	Dormant

[*] These subsidiaries are indirectly owned.

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2015	**15,000,000**
At 31 December 2015	**15,000,000**
Net book value	
At 31 December 2015	**15,000,000**
At 31 December 2014	15,000,000

Notes to the Financial Statements

For the year ended 31 December 2015

12. Stocks

	Group 2015	Group 2014	**Company 2015**	Company 2014
	£	£	**£**	£
Raw materials and consumables	**916,731**	2,725,348	**-**	-
Work in progress	**1,608,456**	1,198,458	**-**	-
Finished goods and goods for resale	**906,000**	1,018,695	**-**	-
	3,431,187	4,942,501	**-**	-

Stock recognised in cost of sales during the year as an expense was £6,897,038 (2014: £4,928,171).

A charge of £211,254 (2014: £29,946) was recognised during the year in cost of sales relating to a movement in the stock provision arising on slow-moving and obsolete stock.

13. Debtors

	Group 2015	Group 2014	**Company 2015**	Company 2014
	£	£	**£**	£
Trade debtors	**3,522,012**	2,588,842	**-**	-
Amounts owed by related parties	**1**	1	**1**	1
Other debtors	**31,244**	247,686	**-**	-
Prepayments and accrued income	**333,958**	626,661	**-**	-
Tax recoverable	**-**	162,262	**-**	-
	3,887,215	3,625,452	**1**	1

14. Creditors: Amounts falling due within one year

	Group 2015	Group 2014	**Company 2015**	Company 2014
	£	£	**£**	£
Payments received on account	**-**	2,047,508	**-**	-
Trade creditors	**1,009,760**	1,498,500	**-**	-
Amounts owed to group undertakings	**17,219,975**	15,443,077	**15,000,000**	15,000,000
Corporation tax	**192,708**	-	**-**	-
Taxation and social security	**134,765**	145,488	**-**	-
Other creditors	**15,650**	2,790,450	**-**	-
Accruals and deferred income	**388,390**	324,489	**-**	-
	18,961,248	22,249,512	**15,000,000**	15,000,000

Notes to the Financial Statements

For the year ended 31 December 2015

15. Financial instruments

	Group 2015 £	Group 2014 £	Company 2015 £	Company 2014 £
Financial assets measured at fair value through profit or loss	**4,190,970**	4,730,135	**1**	1
	4,190,970	4,730,135	1	1
Financial liabilities measured at amortised cost	**(18,633,775)**	(20,056,516)	**(15,000,000)**	(15,000,000)
	(18,633,775)	(20,056,516)	(15,000,000)	(15,000,000)

Financial assets measured at fair value through profit or loss comprise cash and cash equivalents, trade debtors, other debtors and amounts owed by group undertakings.

Financial liabilities measured at amortised cost comprise trade creditors, amounts owed to group undertakings, other creditors and accruals.

Notes to the Financial Statements
For the year ended 31 December 2015

16. Deferred taxation

Group

	Deferred tax
	£
At 1 January 2015	**(2,219,410)**
Charged to the profit or loss	**769,303**
At 31 December 2015	**(1,450,107)**

The provision for deferred taxation is made up as follows:

	Group 2015	Group 2014
	£	£
Accelerated capital allowances	**(99,768)**	(67,231)
Deferred tax recognised in respect of intangible assets	**(1,350,339)**	(2,152,179)
	(1,450,107)	(2,219,410)

17. Share capital

	2015	2014
	£	£
Authorised, allotted, called up and fully paid		
1 Ordinary shares share of £1	**1**	1

18. Reserves

Foreign exchange reserve

Comprises translation differences arising from the translation of financial statements of the Group's foreign entities into Sterling (£).

Profit and loss account

Includes all current and prior period retained profits and losses.

Notes to the Financial Statements

For the year ended 31 December 2015

19. Pension commitments

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £121,716 (2014 - £54,822). Contributions totalling £NIL (2014 - £NIL) were payable to the fund at the reporting date

20. Transition to FRS 102

The Group and Company transitioned to FRS 102 from previously extant UK GAAP as at 3 June 2014. The impact of the transition to FRS 102 is as follows:

Reconciliation of equity at 31 December 2014

	Note	Group £	Company £
Equity at 31 December 2014 under previous UK GAAP		314,317	1
Amortisation of separately identifiable intangible assets		(1,571,126)	-
Adjustment to amortisation of goodwill following recognition of separately identifiable intangible assets		200,725	-
Release of deferred tax liability arising on separately identifiable intangible assets		314,225	-
Equity shareholders funds at 31 December 2014 under FRS 102		(741,859)	1

Reconciliation of profit and loss account for the year ended 31 December 2014

	Group £
Profit for the year under UK GAAP	73,929
Amortisation of separately identifiable intangible assets	(1,571,126)
Adjustment to amortisation of goodwill following recognition of separately identifiable intangible assets	200,725
Release of deferred tax liability arising on separately identifiable intangible assets	314,225
(Loss)/profit for the period ended 31 December 2014 under FRS 102	(982,247)

Notes to the Financial Statements
For the year ended 31 December 2015

20. Transition to FRS 102 (continued)

The following were changes in accounting policies arising from the transition to FRS 102:

1 FRS 102 requires the fair value of separately identifiable intangible assets to be identified in a business combination, which was not required under previous UK GAAP. Fair values were calculated for the production backlog and customer contracts by management based on forecasts in place at the date of acquisition using discounted cash flows as detailed in note 23 below. This resulted in amortisation of separately identifiable intangible assets, totalling £1,571,126.

2 Under FRS 102 a deferred tax liability must be recognised on any separately identifiable intangible asset at the prevailing rate of corporation tax and released over the useful life of the asset. As such an adjustment has been made to release the deferred tax liability of £314,225.

3 The recognition of the separately identifiable intangible assets on the business combination resulted in a reduction to goodwill and a subsequent reduction in the amortisation charge of £200,725.

4 No further material adjustments were identified by the directors in the transition. As described in the Strategic Report, the Group from time to time uses forward currency contracts to hedge its exposure to movements in exchange rates. There were forward currency contracts in place as at 31 December 2014. The directors have not recorded the fair value of these contracts on the grounds of materiality and consider it appropriate not to adjust the results for the 7 month period with respect to these.

21. Related party transactions

A management charge is levied on the group by Gentex Corporation based on working capital employed. During the year to 31 December 2015 the management charge included in these financial statements was £409,950 (2014 - £399,297).

22. Controlling party

At 31 December 2015, the company's immediate and ultimate parent company was Gentex Corporation (2014 - Gentex Corporation), a company incorporated in the United States of America.

The smallest group of which the company is a member and for which group financial statements are drawn up is headed by Gentex HISL Limited, a company incorporated in England and Wales.

The largest group of which the company is a member and for which group financial statements are drawn up is headed by Gentex Corporation, a company incorporated in the United States of America in the state of Delaware.

Notes to the Financial Statements

For the year ended 31 December 2015

23. Business combinations

Acquisition of MID7 Limited - restated under FRS 102

FRS 102 requires business combinations to be treated differently compared with previous UK GAAP.

On 4 July 2014 the company acquired the entire issued ordinary share capital of MID7 Limited from its parent company, Middlemace Limited, in consideration for £15,000,000.

Goodwill arising on acquisition was originally calculated under previous UK GAAP whereby book value of the net assets of the acquired company were equivalent to fair value. The following acquisition took place after the Group's date of transition for FRS 102 and has therefore been restated at the adjusted fair value as detailed below.

	Book value £	Fair value adjustment £	Fair value £
Fixed assets			
Tangible	**2,179,964**	-	2,179,964
Intangible - Development costs	**440,487**	-	440,487
Intangible - Production backlog - FRS 102 adjustment	-	2,482,656	2,482,656
Intangible - Customer contracts - FRS 102 adjustment	-	9,849,368	9,849,368
	2,620,451	12,332,024	14,952,475
Current assets			
Stocks	**5,824,157**	-	5,824,157
Debtors	**3,311,125**	-	3,311,125
Cash at bank and in hand	**1,146,501**	-	1,146,501
Total assets	**12,902,234**	12,332,024	25,234,258
Creditors			
Due within one year	**(7,865,631)**	-	(7,865,631)
Deferred tax on differences between fair value and tax bases	**(67,118)**	-	(67,118)
Deferred tax on differences between fair value and tax bases - FRS 102 adjustment	-	(2,466,405)	(2,466,405)
Fair value of net assets	**4,969,485**	9,865,619	14,835,104
Goodwill	**10,030,515**	(9,865,619)	164,896
Total purchase consideration	**15,000,000**	-	15,000,000

Fair values were calculated for the production backlog and customer contracts by management based on forecasts in place at the date of acquisition using discounted cash flows. A discount rate of 13% was applied.

The useful lives of the intangible assets are disclosed in note 2.