Teledyne Gas Measurement Instruments Limited

Registered number: SCO25020

Annual Report

For the period ended 1 January 2023

COMPANY INFORMATION

Directors	C Y Belak T G Fourlegnie N J Wargent
Company secretary	N J.Wargent
Registered number	SCO25020
Registered office	Inchinnan Business Park Renfrew PA4 9RG
Independent auditor	Mazars LLP Chartered Accountants & Statutory Auditor Capital Square 58 Morrison Street Edinburgh EH3 8BP

CONTENTS

STRATEGIC REPORT
FOR THE PERIOD ENDED 1 JANUARY 2023

Introduction

Teledyne Gas Measurement Instruments Limited ("GMI") is one of the world's leading manufacturers of gas detection equipment, with particular strengths in the gas distribution, industrial safety and marine industries. Since its formation in 1947, the business has been built on a reputation for technological development and the evolution of a rugged and reliable product range. The company has developed particular expertise in working within the gas distribution industry and many of the world's largest gas utilities use portable gas detection equipment manufactured in Scotland by GMI. Our success has been based on working with customers to fully understand their requirements and developing products that meet their specific needs.

Business review

During 2022, the company saw a decrease in sales revenue of 4%, recording turnover of £19.3 million compared with £20.1 million in 2021. This decrease was partly due to the global supply chain issues suffered by many companies around the world throughout 2022. This resulted in our single gas monitor not being available for six months resulting in reduced revenue. The cessation of all product sales into Russia also adversely impacted revenue in 2022. The global business environment remained unsettled, with new supply chain challenges emerging, primarily because of the increasingly volatile electronic components market and changes resulting from the United Kingdom's exit from the European Union. Control of business infrastructure costs remained a strong focus, with increased costs being mitigated through business efficiencies. Selected selling price increases were implemented to minimise the impact of material cost inflation. Operating profit decreased as a percentage of turnover from 31% in 2021 to 23% in 2022 because of the factors outlined above.

The profit in 2022 generated sufficient cash flow to continue the programme of research and new product development, in particular, enhancing our position in gas utilities with cloud and hydrogen developments. The company continues to monitor world-wide technological advancements and potential technology partners, to identify opportunities to further develop and enhance our product range. Investment in the business infrastructure also continued.

The company's strategy remains to grow turnover and the operating profit percentage primarily by introducing new features to our gas utility products and by replacing our legacy products with a new platform of products that will increase our market share. There will also be growth following controlled entry into new geographical territories, extending our distribution network, and identifying new product applications. We will continue to work with end user customers to understand new gas detection challenges facing them and will work to develop new products and associated calibration and instrument management solutions.

At the end of 2022, the company was well placed to build market share and consolidate an already solid position in its principal markets through its strong relationships with key customers and distributors and the desire to extend its technical capabilities. Sufficient funds were generated through the period to support the company's ongoing business activities, with a surplus being made available for Teledyne Group purposes.

Key performance indicators

Turnover, together with operating profit %, were the company's key financial performance indicators and are discussed in the business review above.

Other key performance indicators are used across the business to measure various aspects of business performance, including manufacturing efficiency, incremental revenue from the release of new products, service turnaround times and managed working capital. Key metrics relating to health and safety and the company's environmental impact are also maintained and reported. Key performance indicators for 2022 were in line with expectations.

Principal risks and uncertainties

Risk management is taken into consideration when setting the company's long-term goals. The competitive environment is likely to remain challenging, with price influencing procurement decisions in certain market sectors. In spite of general economic pressures, our key markets have proved resilient and we have seen continued investment in gas detection equipment. The significant risks and uncertainties faced by the company are set out below:

Availability of materials and supplies

Many of the company's products contain electronic components, the availability of which has been impacted by a mixture of COVID-19, the United Kingdom exit from the European Union and the general downturn in the global economy. Any interruption to supplies, or increases in costs, could adversely impact the financial position and trading performance of the company in the future. However, the situation is now looking more positive, and costs are beginning to stabilise.

To mitigate this risk, the company is standardising components in production development and retaining appropriate inventory levels of components; together with determining and validating other suppliers for any key components. The directors will continue to monitor this for the foreseeable future.

Financial risk

The company's operations expose it to a variety of financial risks including the effects of changes in interest rates, foreign currency exchange rates, credit risk and liquidity risk.

The company's principal financial instruments comprise cash and bank deposits, Teledyne Group debt, together with trade debtors and trade creditors that arise directly from its operations.

The main risks arising from the company's financial instruments can be analysed as follows:

Interest rate risk
The company undertakes loan arrangements with intergroup sources, which expose it to interest rate risk. Interest charges are incurred and interest income is received, on a market rate, arms-length basis. Interest rates can change based on market forces, which are outside of the company's control.

Foreign currency risk
The company's foreign trading exposes it to foreign exchange risk, predominantly translation risk. Translation risk is associated with changes in the value of the company's foreign currency monetary assets and liabilities due to movements in underlying currency exchange rates. The Sterling value of these assets and liabilities is therefore affected by movements in exchange rates.

Price risk
The company is exposed to price risk because of volatility in the price of commodities used in the manufacturing process.

STRATEGIC REPORT (continued)
FOR THE PERIOD ENDED 1 JANUARY 2023

Credit risk
The company recognises credit risk whereby one party to a transaction will cause a financial loss to the other party by failing to discharge an obligation. The company's policies are aimed at minimising such losses and require that deferred items are only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures.

The company's credit risk is primarily attributable to its trade debtors. Credit risk is managed by monitoring the aggregate amount and duration of exposure to any one customer depending upon their credit rating. The amounts presented in the Balance Sheet are net of allowances for doubtful debts, estimated by the company's management based on prior experience and their assessment of the current economic environment. The company has no significant concentration of credit risk, with exposure spread over a large number of customers.

Liquidity risk
The company's policy has been to arrange funding for operations using Teledyne Group credit facilities to aid short term flexibility.

This report was approved by the board on Jul 18, 2023 and signed on its behalf by

Nick Wargent

N Wargent
Director

DIRECTORS' REPORT
FOR THE PERIOD ENDED 1 JANUARY 2023

The directors present their report and the financial statements for the period ended 1 January 2023.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, 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 period. 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 of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the company's financial statements and then apply them consistently;
- make judgements 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 company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activity

The principal activity of the company is the manufacture and provision of gas detection equipment to the gas distribution, industrial safety and marine industries.

Results and dividends

The profit after taxation, for the period amounted to £3,856,000 (2 January 2022: £5,105,000).

A dividend of £7,000,000 was paid in the period ended 1 January 2023 (2 January 2022: £10,300,000).

No dividends were declared or paid between the reporting date and the date of signing these financial statements.

Directors

The directors who served during the period and thereafter were:

C Y Belak
T G Fourlegnie
N J Wargent
D S Hunter (resigned 30 June 2022)

DIRECTORS' REPORT (continued)
FOR THE PERIOD ENDED 1 JANUARY 2023

Future developments

Further information in relation to the company's performance and business review has been disclosed in the Strategic Report as permitted by the Companies Act 2006, s414(c)(11) along with principal risks and uncertainties and key performance indicators relevant to the company.

Research and development activities

The company aims to retain and enhance its market position through the design and sale of specialist gas and detection equipment and associated maintenance and management systems. The company's research and development department continued to investigate new materials, sensors and electronic components. Where appropriate, these have been incorporated within existing products and have been used in the design and development of new products.

Going concern

The company meets its day to day working capital requirements through its own cash generation and through intercompany advances from the Teledyne Group. In making their assessment, the directors have reviewed the cash resources available to the company against expected future expenditure and confirm that the company will have sufficient funds to allow it to continue to trade and meet its liabilities as they fall due for a period of at least twelve months from the date the directors sign the financial statements of the company.

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 the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the 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's auditor is aware of that information.

This report was approved by the board on Jul 18, 2023 and signed on its behalf.

Nick Wargent

N Wargent
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TELEDYNE GAS MEASUREMENT INSTRUMENTS LIMITED

Opinion

We have audited the financial statements of Teledyne Gas Management Instruments Limited (the 'company') for the period ended 1 January 2023 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 1 January 2023 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TELEDYNE GAS MEASUREMENT INSTRUMENTS LIMITED

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the company and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: employment regulation, health and safety regulation, anti-money laundering regulation.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the company which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation, pension legislation, the Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TELEDYNE GAS MEASUREMENT INSTRUMENTS LIMITED

We evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, revenue recognition (which we pinpointed to the cut-off assertion), and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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

Use of the audit report

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

Anna Campbell
Anna Campbell (Jul 20, 2023 12:43 GMT+1)

Anna Campbell (Senior statutory auditor)

for and on behalf of

Mazars LLP
Chartered Accountants and Statutory Auditor
Capital Square
58 Morrison Street
Edinburgh
EH3 8BP

Jul 20, 2023

STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 1 JANUARY 2023

	Note	1 January 2023 £'000	2 January 2022 £'000
Turnover	4	19,275	20,136
Cost of sales		(10,449)	(9,497)
Gross profit		8,826	10,639
Selling and distribution expenses		(64)	(172)
Administrative expenses		(4,301)	(4,374)
Other operating income	5	-	156
Operating profit	6	4,461	6,249
Interest receivable and similar income	10	107	48
Interest payable and similar expenses	11	(14)	-
Profit before tax		4,554	6,297
Tax on profit	12	(698)	(1,192)
Profit for the financial period		3,856	5,105

There was no other comprehensive income for the period ended 1 January 2023 (2 January 2022: £nil).

The notes on pages 13 to 30 form part of these financial statements.

BALANCE SHEET
AS AT 1 JANUARY 2023

	Note	1 January 2023 £'000	1 January 2023 £'000	2 January 2022 £'000	2 January 2022 £'000
Fixed assets					
Tangible fixed assets	14		586		554
Investments	15		-		-
			586		554
Current assets					
Stocks	16	2,549		2,666	
Debtors: amounts falling due after more than one year	17	55		20	
Debtors	17	3,540		7,842	
Cash and cash equivalents	18	1,592		548	
		7,736		11,076	
Creditors: amounts falling due within one year	19	(3,440)		(3,438)	
Net current assets			4,296		7,638
Total assets less current liabilities			4,882		8,192
Provisions for liabilities					
Deferred tax	20		-		-
Provisions	22		(555)		(721)
Net assets			4,327		7,471
Capital and reserves					
Called up share capital	23		27		27
Share premium account	24		279		279
Capital redemption reserve	24		4		4
Profit and loss account	24		4,017		7,161
			4,327		7,471

The financial statements were approved and authorised for issue by the board and were signed on its behalf on Jul 18, 2023

Nick Wargent

N J Wargent
Director

The notes on pages 13 to 30 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 1 JANUARY 2023

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total equity £'000
At 3 January 2021	27	279	4	12,356	12,666
Profit for the period	-	-	-	5,105	5,105
Dividends: equity capital (note 13)	-	-	-	(10,300)	(10,300)
At 2 January 2022	27	279	4	7,161	7,471
Profit for the period	-	-	-	**3,856**	**3,856**
Dividends: equity capital (note 13)	-	-	-	**(7,000)**	**(7,000)**
At 1 January 2023	**27**	**279**	**4**	**4,017**	**4,327**

The notes on pages 13 to 30 form part of these financial statements.

1. General information

Teledyne Gas Measurement Instruments Limited is a private company limited by shares and registered in Scotland. The company's registered office and principal place of business is Inchinnan Business Park, Renfrew, PA4 9RG. The company's registered number is SCO25020.

These financial statements have been prepared for a period of 52 weeks (period ended 2 January 2022: 52 weeks) and are presented in the company's functional currency of Pound Sterling (£), as this is the currency of the primary economic environment in which the company operates. Monetary amounts in these financial statements are rounded to the nearest £'000.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

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

The company is a parent company that is also a subsidiary included in the consolidated financial statements of its ultimate parent undertaking established under the law of a non-EEA state and is therefore exempt from the requirement to prepare consolidated financial statements under section 401 of the Companies Act 2006.

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 – reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland:

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29 (b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Teledyne Technologies Incorporated as at 1 January 2023 and these financial statements may be obtained from 1049 Camino Dos Rios, Thousand Oaks, CA, USA 91360.

2. Accounting policies (continued)

2.3 Going concern

The financial statements have been prepared on a going concern basis. The company meets its day to day working capital requirements through its own cash generation and through intercompany advances from the Teledyne Group. In making their assessment, the directors have reviewed the cash resources available to the company against expected future expenditure and confirm that the company will have sufficient funds to allow it to continue to trade and meet its liabilities as they fall due for a period of at least twelve months from the date the directors sign the financial statements of the company.

2.4 Foreign currency translation

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 exchange 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 profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

2.5 Revenue

The company generates its revenue from the manufacture and provision of gas detection equipment to the gas distribution, industrial safety and marine industries.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company 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:

2. Accounting policies (continued)

2.5 Revenue (continued)

Sale of goods

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

- the company has transferred the significant risks and rewards of ownership to the buyer;
- the company 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 company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.6 Operating leases: the company as lessee

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

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.7 Research and development

All research and development costs are expensed in the period they are incurred.

2.8 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 Statement of Comprehensive Income 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 Statement of Comprehensive Income in the same period as the related expenditure.

2.9 Interest income

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

2. Accounting policies (continued)

2.10 Finance costs

Finance costs are charged to the Statement of Comprehensive Income 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.

2.11 Pensions

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

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

2.12 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the Statement of Comprehensive Income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Balance Sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the Statement of Comprehensive Income over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the Statement of Comprehensive Income is charged with fair value of goods and services received.

The company has taken advantage of the disclosure exemptions contained in Section 26 of FRS 102 because the share based payment arrangement concerns equity instruments of another group entity of which the company is a subsidiary.

The company measures its share based payment expense on the basis of an allocation from its group which is based on options held by employees of the company.

2. Accounting policies (continued)

2.13 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge 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 operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet 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; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax have been met.

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 balance sheet date.

2.14 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.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value un use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

Depreciation 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:

Buildings	- 4% straight line
Leasehold improvements	- 10% straight line
Motor vehicles	- 25% straight line
Fixtures, fittings and equipment	- 10% to 33% straight line

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 in profit or loss.

2. Accounting policies (continued)

2.15 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.16 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 first in, first out basis. 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 the Statement of Comprehensive Income.

2.17 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.18 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.

2.19 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.

2.20 Provisions for liabilities

Provisions are made where an event has taken place that gives the company 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 Statement of Comprehensive Income in the period that the company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet 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 Balance Sheet.

2. Accounting policies (continued)

2.21 Financial instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable 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 debtors and creditors, 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 the case of an outright 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.

Investments in non-derivative instruments that are equity to the issuer are measured:

- at fair value with changes recognised in the Statement of Comprehensive Income if the shares are publicly traded or their fair value can otherwise be measured reliably;
- at cost less impairment for all other investments

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 Statement of Comprehensive Income.

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 of the recoverable amount, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the Balance Sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet 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.

2.22 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an Annual General Meeting.

3. Judgements 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 amounts 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 it is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the company's key sources of estimation uncertainty:

Warranty provision

Management have estimated a provision for future warranty claims and returns. This includes a general provision which is a percentage of turnover based on past experience or retrospective issues for which the company may be liable. Additionally all known issues are added as a specific provision. The future warranty provision for the period is £550,000 (2 January 2022: £721,000).

4. Turnover

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

	1 January 2023 £'000	2 January 2022 £'000
Sale of goods	**18,250**	18,477
Sale of services	**1,025**	1,659
	19,275	20,136

Analysis of turnover by country of destination:

	1 January 2023 £'000	2 January 2022 £'000
United Kingdom	**6,985**	8,302
Europe	**3,991**	3,190
Rest of the world	**8,299**	8,644
	19,275	20,136

5. Other operating income

	1 January 2023 £'000	2 January 2022 £'000
Sundry income	-	156,000

6. Operating profit

The operating profit is stated after charging/(crediting):

	1 January 2023 £'000	2 January 2022 £'000
Research and development charged as an expense	**408**	588
Exchange differences	**(85)**	25
Operating lease rentals – land and buildings	**48**	41
Operating lease rentals - other	**56**	5
Depreciation of owned tangible fixed assets	**83**	339
Gain on sale of tangible fixed assets	**(3)**	(2)

7. Auditor's remuneration

	1 January 2023 £'000	2 January 2022 £'000
Fees payable to the company's auditor for the audit of the company's annual financial statements	**25**	18

Fees payable to the company's auditor in respect of:

All other services	**-**	1

8. Employees

Staff costs, including directors' remuneration where employed by the company, were as follows:

	1 January 2023 £'000	2 January 2022 £'000
Wages and salaries	**3,701**	4,061
Social security costs	**311**	317
Pension costs	**152**	165
	4,164	4,543

Pension costs constitute company contributions to the group stakeholder plan.

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

	1 January 2023 No.	2 January 2022 No.
Office and management	**62**	54
Manufacturing	**32**	48
	94	102

9. Directors' remuneration

	1 January 2023 £'000	2 January 2022 £'000
Directors' emoluments	**70**	179
Company contributions paid to defined contribution pension scheme	**4**	9
Directors' services paid via management charges	**99**	-
	173	188

Three directors of the company that served during the period were also directors of other Teledyne Group companies. One of the directors did not receive any remuneration in respect of their services to this company. Some of the remuneration of two of the directors was apportioned to their services as director of the company and was recharged to the company as part of management services charges of £99,000.

During the period, one director, who was the highest paid director, received remuneration of £70,000, (2 January 2022: £179,000). The director was a member of the company's group stakeholder pension scheme and received company funded pension contributions to a money purchase scheme in total of £4,000 (2 January 2022: £9,000).

10. Interest receivable and similar income

	1 January 2023 £'000	2 January 2022 £'000
Interest receivable from group undertakings	**107**	48

11. Interest payable and similar expenses

	1 January 2023 £'000	2 January 2022 £'000
Interest payable to group undertakings	**14**	-

12. Taxation

	1 January 2023 £'000	2 January 2022 £'000
Corporation tax		
Current tax on profit for the period	**848**	1,329
Adjustments in respect of previous periods	**(115)**	(84)
Total current tax	**733**	1,245
Deferred tax		
Current period (credit)	**-**	-
Adjustments in respect of previous periods	**(22)**	(53)
Effects of change in tax rate	**(13)**	-
Total deferred tax	**(35)**	(53)
Taxation on profit on ordinary activities	**698**	1,192

12. Taxation (continued)

Factors affecting the tax charge for the period

The tax assessed for the period is lower than (2 January 2022: lower than) the standard rate of corporation tax in the UK of 19% (2 January 2022: 19%). The differences are explained below:

	1 January 2023 £'000	2 January 2022 £'000
Profit on ordinary activities before tax	**4,554**	6,297
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2 January 2022: 19%)	**865**	1,196
Effects of:		
Expenses not deductible for tax purposes	**(17)**	-
Other tax adjustments	**-**	132
Adjustments in respect of previous periods	**(137)**	(136)
Effects of change in tax rate on deferred tax	**(13)**	-
Total tax charge for the period	**698**	1,192

Factors that may affect future tax charges:

The UK Government announced in the 2021 budget that from 1 April 2023, the rate of corporation tax in the United Kingdom will increase from 19% to 25%.

13. Dividends

	1 January 2023 £'000	2 January 2022 £'000
Dividends paid	**7,000**	10,300

Dividends were paid during the period of £255.10 per share (2 January 2022: £375.36 per share).

14. Tangible fixed assets

	Land and buildings £'000	Leasehold improvements £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 3 January 2022	539	268	1,647	54	2,508
Additions	-	-	115	-	115
Disposals	-	-	(4)	(37)	(41)
At 1 January 2023	**539**	**268**	**1,758**	**17**	**2,582**
Depreciation					
At 3 January 2022	326	223	1,351	54	1,954
Charge for the period	6	9	68	-	83
Disposals	-	-	(4)	(37)	(41)
At 1 January 2023	**332**	**232**	**1,415**	**17**	**1,996**
Net Book Value					
At 1 January 2023	**207**	**36**	**343**	**-**	**586**
At 2 January 2022	213	45	296	-	554

Included with land and buildings is land of £62,500 (2 January 2022: £62,500) which is not depreciated.

15. Fixed asset investments

	Investment in subsidiary companies £
Cost	
At 2 January 2022 and 1 January 2023	1

The company owns the entire ordinary share capital of Gas Performance Testing Services Limited, a dormant company with capital and reserves of £1. The registered office of Gas Performance Testing Services Limited is also Inchinnan Business Park, Renfrew, PA4 9RG.

16. Stocks

	1 January 2023 £'000	2 January 2022 £'000
Raw materials and consumables	**1,326**	1,446
Work in progress	**961**	834
Finished goods and goods for resale	**262**	386
	2,549	2,666

17. Debtors

	1 January 2023 £'000	2 January 2022 £'000
Due after more than one year		
Deferred tax asset (note 20)	**55**	20
Due within one year		
Trade debtors	**3,459**	2,140
Amounts owed by group undertakings (note 27)	**81**	5,569
Prepayments and accrued income	**-**	53
Other debtors	**-**	80
Corporation tax	**-**	-
	3,540	7,842

Amounts receivable from group undertakings that arise due to financing activities between group entities are generally repayable upon demand, are unsecured and are interest bearing at 3 months LIBOR plus a margin.

Amounts receivable from group undertakings that arise due to trading between group entities are unsecured, non-interest bearing and are generally settled for cash on 30-day terms.

18. Cash and cash equivalents

	1 January 2023 £'000	2 January 2022 £'000
Cash at bank and in hand	**1,592**	548

19. Creditors

	1 January 2023 £'000	2 January 2022 £'000
Trade creditors	**1,493**	1,159
Amounts owed to group undertakings (note 27)	**781**	153
Corporation tax	**759**	1,239
Other taxation and social security	**91**	111
Other creditors	**-**	5
Accruals and deferred income	**316**	771
	3,440	3,438

Amounts payable to group undertakings that arise due to trading between group entities are unsecured, non-interest bearing and are generally settled for cash on 30-day terms.

Amounts payable to group undertakings that arise due to financing activities between group entities are generally repayable upon demand, are unsecured and are interest bearing at 3 months LIBOR plus a margin.

20. Deferred taxation

	1 January 2023 £'000
At beginning of period	20
Credited to Statement of Comprehensive Income	35
At end of period	**55**

The deferred tax asset is made up as follows:

	1 January 2023 £'000	2 January 2022 £'000
Accelerated capital allowances	**53**	18
Other timing differences	**2**	2
	55	20

The UK Budget 2021 announced that the rate of corporation tax was to be increased to 25% with effect from 1 April 2023. This provision was substantially enacted on 10 June 2021. UK deferred tax balances as at 1 January 2023 have been calculated based on the corporation tax rate of 25% (2 January 2022: 19%) being the relevant tax rate that is expected to apply to the period when the asset is realised as the liabilities are settled.

21. Financial Instruments

	1 January 2023 £'000	2 January 2022 £'000
Financial assets		
Financial assets representing cash and cash equivalents	**1,592**	548
Financial assets that are debt instruments measured at amortised cost	**3,540**	7,842
	5,132	8,390
Financial liabilities		
Financial instruments measured at amortised cost	**(3,440)**	(3,438)

Financial assets comprise trade and other receivables and cash and cash equivalents that are measured at initial recognition at fair value and subsequently at amortised cost. Appropriate allowances for estimated irrecoverable amounts are recognised including where there is objective evidence that the asset is impaired. Cash and cash equivalents comprises cash at bank and in hand.

Financial liabilities comprise trade and other payables that are measured at initial recognition at fair value and subsequently at amortised cost.

22. Provisions

	Property provision £'000	Warranty provision £'000	Total £'000
At 3 January 2022	-	721	721
Charged / (credited) to profit and loss account	5	(151)	(146)
Utilised in period	-	(20)	(20)
At 1 January 2023	**5**	**550**	**555**

Warranty provision
Management have estimated a provision for future warranty claims and returns. This includes an amount calculated as a percentage of turnover based on past experience of retrospective issues that the company are liable for. An additional amount is added for known issues.

Property provision
The company provides for obligations relating to reinstatements of its leasehold properties. The provision represents the value of the future estimated costs. The amount payable is dependent on the latest estimate of future costs. The timing of payments is dependent on the timing of the exit of property leases.

23. Share capital

	1 January 2023 £'000	2 January 2022 £'000
Allotted, called up and fully paid		
27,440 (2 January 2022: 27,440) Ordinary shares of £1 each	**27**	27

24. Reserves

Share premium account
Consideration received for shares above their nominal value net of transaction costs.

Capital redemption reserve
The nominal value of shares repurchased and still held at the end of the reporting period.

Profit and loss reserve
The profit and loss account reserve represents cumulative profits or losses net of dividends paid and other adjustments.

25. Employee benefits

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £152,000 (2 January 2022: £165,000). Amounts payable included in creditors at the reporting date are £nil (2 January 2022: £nil).

26. Commitments under operating leases

At 1 January 2023 the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	1 January 2023 £'000	2 January 2022 £'000
Land & buildings		
Within one year	**46**	4
Between one and five years	**146**	-
After 5 years	**-**	-
	192	4
Other		
Within one year	**43**	34
Between one and five years	**63**	99
After five years	**-**	-
	106	133

27. Related party transactions

Advantage has been taken of the exemption granted by FRS 102 not to report details of transactions entered into between two or more members of a group, provided that any subsidiary undertaking which is a party to the transaction is wholly owned by the same parent undertaking.

28. Parent undertaking and controlling party

The company's immediate parent undertaking is Rhombi Holdings Limited, a company registered in England and Wales.

The company's ultimate parent undertaking is Teledyne Technologies Incorporated. Teledyne Technologies Incorporated has included the company in its group financial statements, which is the smallest and largest group for which group financial statements are available. Copies of the consolidated financial statements are available from its registered office: 1049 Camino Dos Rios, Thousand Oaks, CA 91360.

In the directors' opinion, the company has no ultimate controlling party due the listed status of the ultimate parent undertaking.