


Co. House

Registration number: 01996478

# Pyronix Limited

Annual Report and Financial Statements  
for the Year Ended 31 December 2021

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COMPANIES HOUSE

## **Pyronix Limited**

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# **Pyronix Limited**

## **Company Information**

<b>Directors</b>	G Dodd J Zhi C S Herdman V Filianov
<b>Registered office</b>	Secure House Braithwell Way Hellaby Rotherham South Yorkshire S66 8QY
<b>Auditors</b>	Hawsons Chartered Accountants Statutory Auditors Pegasus House 463a Glossop Road Sheffield South Yorkshire S10 2QD

## Pyronix Limited

### Strategic Report for the Year Ended 31 December 2021

The directors present their Strategic Report for the year ended 31 December 2021.

#### Fair review of the business

The principal activity of the company is the design, manufacture and marketing of a range of products for the security market.

The results for the year are set out in the financial statements.

Overall, the company sales for 2021 were below expectation and profit results for 2021 met expectations. This is attributable to the ongoing COVID-19 pandemic measures in place during parts of the year. Nevertheless, the business performance during the year partially recovered back towards pre-pandemic levels.

During the year, the supply chain continued to be closely managed and bolstered where necessary by committing to investment in stock and longer contractual supply chain timeframes were negotiated to ensure the company had continuity of supply for its customers. The company has continued with the measures implemented in 2020 to safeguard the workforce throughout the whole of the year and all these measures had an impact on the businesses results for the year.

The overall gross profit % improved despite the impact of measures put in place to protect the business against the effects of the COVID-19 pandemic. The overhead costs and cash flow were closely monitored and controlled by management during the whole of the year to ensure the business was able to quickly react when required.

The directors proactive approach to the planning for Brexit ensured there was minimal impact on each area of the business. The company investment in additional stock to mitigate any effects from Brexit and additional staff training undertaken ensured the business was well prepared for the changes that took place when the UK left the European Union. The management monitored and closely controlled the transition.

The intruder security market remains highly competitive, but the directors are confident that the company is well placed to continue to enhance its market position.

The directors do not recommend the payment of a dividend (2020 - nil).

The directors believe that the key performance indicators to assess and manage the trading performance of the company are revenue, gross margin, overheads, cash flow and net assets. The comparison of these KPIs against both prior year and budget are key for the directors to understand the progress of the company when undertaking strategic planning.

The company's key financial and other performance indicators during the year were as follows:

	Unit	2021	2020
Revenue	£000	<u>35,216</u>	<u>31,800</u>
Gross margin	%	<u>43</u>	<u>41</u>
Overheads	£000	<u>12,330</u>	<u>10,833</u>
Net assets	£000	<u>8,449</u>	<u>6,483</u>

## Pyronix Limited

### Strategic Report for the Year Ended 31 December 2021 (continued)

Revenue has increased by £3,416k (10.7%) due to the business recovering from the effects of the COVID-19 pandemic, but not fully back to pre-pandemic levels.

Gross margin has increased by 2.1 percentage points due to sales mix and production efficiencies.

Overheads have increased by £1,497k (13.8%) with increases in staffing costs during the year.

Net assets are up by £1,966k reflecting the continued profitability in the year that was achieved with tight control of all costs.

#### Future developments

The directors are managing the business closely in this period of global uncertainty and taking actions to reduce the adverse impact on the business due to the current global COVID-19 pandemic. The situation is monitored and plans updated on a regular basis to ensure the business is taking advantage of all available options open to it and is in the best position during the current uncertainty.

The directors expect the general level of activity to increase gradually in the short term but are mindful of possible disruption as a result of COVID-19 variants. Nevertheless, the focus of the business is also to continue to expand the UK market share by investing in research and development, leading to a more extensive and comprehensive product portfolio focused on both residential and professional customers.

#### Principal risks and uncertainties

The company operates mostly in the UK but does generate some international sales and manages the risks inherent in its activities. External risk factors include political and economic conditions, actions of competitors, the effect of legislation or other regulatory action, credit risk, business continuity, environmental risks, exchange rates and litigation. Internal risks include investment risk with new products and projects, control failure risk and inability to supply. The company seeks to manage exposure to all forms of risk where practicable, and to transfer risk to insurers where cost effective.

The directors took a proactive approach to planning for possible disruption as a result of the COVID-19 pandemic. The pandemic caused uncertainty and significant risks in the supply chain. The directors proactively committed to purchasing significant levels of stock in order to minimise potential disruptions to the factory output. The directors continue to monitor the supply chain.

The directors have enhanced the business continuity plan over the year to ensure it covers all areas of business activity.

Approved by the Board on 24/4/22 and signed on its behalf by:

  
.....  
C S Herdman  
Director

## **Pyronix Limited**

### **Directors' Report for the Year Ended 31 December 2021**

The directors present their report and the audited financial statements for the year ended 31 December 2021.

#### **Directors of the company**

The directors who held office during the year were as follows:

G Dodd

J Zhi

C S Herdman

V Filianov

#### **Directors' liabilities**

The company has made qualifying third party indemnity provisions for the benefits of its directors which were made during the year and remain in force at the date of this report.

#### **Financial risk management objectives and policies**

The company uses a limited number of financial instruments as part of its financial risk management. It is exposed to the usual credit risk and cash flow risk associated with selling on credit and manages this through credit control procedures. The nature of the company's financial instruments means that they are not subject to significant price risk or liquidity risk.

#### **Research and development**

The company continues to invest in research and development to continue to innovate and enhance its product range to maintain and further its competitive advantage in existing and new markets.

#### **Employment of disabled persons**

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure their employment with the company continues and that appropriate training is arranged. It is the company policy that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of the other employees.

#### **Employee engagement**

The company places considerable value on the involvement of its employees and has continued to keep them informed on the matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings and company-wide publications. Employee representatives are consulted regularly on a wide range of matters affecting the current and future interests of all employees.

#### **Disclosure of information to the auditors**

Each director of the company who held office at the date of the approval of this Annual Report, as set out above, confirms that:

- so far as they are aware, there is no relevant audit information (information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware, and
- they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

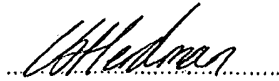
**Pyronix Limited**

**Directors' Report for the Year Ended 31 December 2021 (continued)**

**Reappointment of auditors**

The auditors, Hawsons Chartered Accountants, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by the Board on 27/4/22 and signed on its behalf by:



C S Herdman  
Director

## **Pyronix Limited**

### **Statement of Directors' Responsibilities**

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

## Pyronix Limited

### Independent Auditor's Report to the Members of Pyronix Limited

#### Opinion

We have audited the financial statements of Pyronix Limited (the 'company') for the year ended 31 December 2021, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the 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 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor 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 other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 this gives rise to a material misstatement in the financial statements themselves. 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.

## Pyronix Limited

### Independent Auditor's Report to the Members of Pyronix Limited (continued)

#### Opinion on other matter 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

#### Matters on which we are required to report by exception

In the light of our 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.

#### Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

#### Auditor responsibilities for the audit of the financial statements

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

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

The company is subject to laws and regulations that directly and indirectly affect the financial statements. Based on our understanding of the company and the environment it operates within, we determined that the laws and regulations which were most significant included FRS 102, Companies Act 2006 and Health and Safety regulations. We considered the extent to which non-compliance with these laws and regulations might have a material effect on the financial statements, including how fraud might occur. We evaluated 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 the posting of inappropriate journal entries to improve the company's result for the period, and management bias in key accounting estimates.

## Pyronix Limited

### Independent Auditor's Report to the Members of Pyronix Limited (continued)

Audit procedures performed by the engagement team included:

- Discussions with management and those responsible for legal compliance procedures within the company to obtain an understanding of the legal and regulatory framework applicable to the company and how the company complies with that framework, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Identifying and assessing the design effectiveness of controls that management has in place to prevent and detect fraud and non-compliance with laws and regulations;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the calculation of inventory provisions;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or posted by senior management.

There are inherent limitations in the audit procedures described above and the more removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

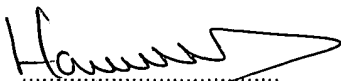
A further description of our responsibilities is available on the Financial Reporting Council's website at:

[www.frc.org.uk/auditors/audit-assurance/auditor-s-responsibilities-for-the-audit-of-the-fi/description-of-the-auditor-s-responsibilities-for](http://www.frc.org.uk/auditors/audit-assurance/auditor-s-responsibilities-for-the-audit-of-the-fi/description-of-the-auditor-s-responsibilities-for).

This description forms part of our auditor's report.

#### Use of our report

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



Christopher Hill (Senior Statutory Auditor)

For and on behalf of ~~Hawsons~~ Chartered Accountants, Statutory Auditor

Pegasus House  
463a Glossop Road  
Sheffield  
South Yorkshire  
S10 2QD

Date: *28<sup>th</sup> April 2022*

## Pyronix Limited

### Statement of Comprehensive Income for the Year Ended 31 December 2021

	Note	2021 £ 000	2020 £ 000
Turnover	2	35,216	31,800
Cost of sales		<u>(20,150)</u>	<u>(18,850)</u>
Gross profit		15,066	12,950
Distribution costs		(295)	(297)
Administrative expenses		(12,035)	(10,536)
Other operating income		<u>-</u>	<u>520</u>
Operating profit	4	2,736	2,637
Interest payable and similar charges	3	<u>(270)</u>	<u>(525)</u>
Profit before tax		2,466	2,112
Taxation	7	<u>(500)</u>	<u>(417)</u>
Profit for the financial year attributable to equity shareholders of the company		<u>1,966</u>	<u>1,695</u>
<b>Total comprehensive income for the year attributable to equity shareholders of the company</b>		<u>1,966</u>	<u>1,695</u>

The above results were derived from continuing operations.

**Pyronix Limited**

**(Registration number: 01996478)**

**Balance Sheet as at 31 December 2021**

	Note	2021 £ 000	2020 £ 000
<b>Fixed assets</b>			
Intangible assets	8	-	-
Tangible assets	9	<u>3,864</u>	<u>3,898</u>
		<u>3,864</u>	<u>3,898</u>
<b>Current assets</b>			
Stocks	10	12,088	9,408
Debtors	11	6,874	7,454
Cash at bank and in hand		<u>5,806</u>	<u>5,654</u>
		24,768	22,516
Creditors: Amounts falling due within one year	12	<u>(20,163)</u>	<u>(19,931)</u>
Net current assets		<u>4,605</u>	<u>2,585</u>
Total assets less current liabilities		8,469	6,483
Provisions for liabilities	7	<u>(20)</u>	-
Net assets		<u>8,449</u>	<u>6,483</u>
<b>Capital and reserves</b>			
Called up share capital	16	33	33
Share premium reserve	17	6	6
Capital redemption reserve	17	447	447
Revaluation reserve	17	461	478
Retained earnings	17	<u>7,502</u>	<u>5,519</u>
Total equity		<u>8,449</u>	<u>6,483</u>

These financial statements were approved and authorised for issue by the Board on 27/4/22 and signed on its behalf by:



C S Herdman  
Director

**Pyronix Limited**

**Statement of Changes in Equity for the Year Ended 31 December 2021**

	Share capital £ 000	Share premium £ 000	Capital redemption reserve £ 000	Revaluation reserve £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2021	33	6	447	478	5,519	6,483
Profit for the year	-	-	-	-	1,966	1,966
Total comprehensive income	-	-	-	-	1,966	1,966
Transfer of realised profits	-	-	-	(17)	17	-
At 31 December 2021	<u>33</u>	<u>6</u>	<u>447</u>	<u>461</u>	<u>7,502</u>	<u>8,449</u>

	Share capital £ 000	Share premium £ 000	Capital redemption reserve £ 000	Revaluation reserve £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2020	33	6	447	495	3,807	4,788
Profit for the year	-	-	-	-	1,695	1,695
Total comprehensive income	-	-	-	-	1,695	1,695
Transfer of realised profits	-	-	-	(17)	17	-
At 31 December 2020	<u>33</u>	<u>6</u>	<u>447</u>	<u>478</u>	<u>5,519</u>	<u>6,483</u>

The notes on pages 13 to 24 form an integral part of these financial statements.

## **Pyronix Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021**

#### **1 Accounting policies**

##### **Statutory information**

Pyronix Limited is a private company, limited by shares, domiciled in England and Wales, company number 01996478. The registered office is at Secure House, Braithwell Way, Hellaby, Rotherham, S66 8QY.

##### **Summary of significant accounting policies and key accounting estimates**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### **Statement of compliance**

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006.

##### **Basis of preparation**

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value. The presentation currency is United Kingdom pounds sterling, which is the functional currency of the company. The financial statements have been prepared using round thousands and are those of an individual entity.

##### **Summary of disclosure exemptions**

As a qualifying entity for the purposes of FRS102, the company has taken advantage of the disclosure exemptions available to it in relation to financial instruments, key management personnel compensation and the preparation of a statement of cash flows.

##### **Going concern**

The financial statements are prepared on the going concern basis.

In forming their opinion on going concern, the directors have considered the reliance the company places on the ability of the ultimate parent company, Hangzhou Hikvision Digital Technology Co Limited, to provide financial support to the company.

The directors review the company performance against key performance indicators and forecasts to manage the continued profitability. The company's forecasts and projections are updated on a regular basis and show that the company should be able to operate within the level of its current facility, with the support of the ultimate parent company. The directors prepare cash flow forecasts based upon assumptions which include particular consideration of key risks and uncertainties, including the impact of the current global COVID-19 pandemic, areas of growth and availability of working capital and borrowings.

##### **Revenue recognition**

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the company's activities. Turnover is shown net of sales/value added tax, returns, rebates and discounts and after eliminating sales within the company.

## Pyronix Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 1 Accounting policies (continued)

##### Goodwill

The excess of the fair value of the consideration paid to acquire new businesses over the fair value of the net separable assets at the date of acquisition is capitalised and amortised over its useful economic life of 20 years.

##### Tangible fixed assets

Tangible fixed assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible fixed assets includes directly attributable incremental costs incurred in their acquisition and installation.

##### Depreciation

Depreciation is calculated so as to write off the cost or valuation of tangible fixed assets, less their estimated residual value, on a straight line basis over the expected useful economic lives of the assets concerned. The principal lives used for this purpose are:

Asset class	Depreciation method and rate
Buildings	Straight line 20 - 40 yrs
Plant and machinery	Straight line 5 - 7 yrs
Motor vehicles	Straight line 3 yrs
Fixtures, fittings and equipment	Straight line 3 yrs

##### Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

Asset class	Amortisation method and rate
Acquired intellectual property rights	Straight line 3 - 15 yrs
Development costs	Over the life of the project

##### Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are recognised at the lower of their fair value at inception of the lease and the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance costs in the profit and loss account and reduction of the lease obligation so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

Costs in respect of operating leases are charged in the profit and loss account on a straight-line basis over the lease term.

##### Government grants

Grants that do not impose specified future performance-related conditions are recognised in income when the grant proceeds are received or receivable. Grants that impose specified future performance-related conditions are recognised in income only when the performance-related conditions are met. Grants received before the revenue recognition criteria are satisfied are recognised as a liability.

## Pyronix Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 1 Accounting policies (continued)

##### Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the first-in, first-out (FIFO) method.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, stocks are assessed for impairment. If stocks are 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.

##### Foreign currency transactions and balances

Transactions in foreign currencies are recorded at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the closing rates at the balance sheet date. All exchange differences are included in the profit and loss account.

##### Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

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.

Deferred tax shall be recognised in respect of all timing differences at the reporting date, except as otherwise required by FRS102. Timing differences are differences between taxable profits and total comprehensive income as stated in the financial statements that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Unrelieved tax losses and other deferred tax assets shall be recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

##### Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Where shares are issued, any component that creates a financial liability of the company is presented as a liability in the balance sheet. The corresponding dividends relating to the liability component are charged as interest expense in the profit and loss account.

##### Defined contribution pension obligation

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

## **Pyronix Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)**

#### **1 Accounting policies (continued)**

##### **Borrowings**

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the profit and loss account over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

##### **Research and development**

Research and development costs are written off as incurred, with the exception of externally incurred expenditure on certain major new product developments where the outcome of these projects is assessed as being reasonably certain as regards viability and technical feasibility. Such expenditure is capitalised and amortised over the expected useful life of the project.

##### **Critical accounting judgements and key sources of estimation uncertainty**

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying 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 the estimate 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.

##### **Judgements**

The directors consider there are no critical judgements, apart from those involving estimations (which are dealt with separately below), that have been made in the process of applying the company's accounting policies on the amounts recognised in the financial statements.

## Pyronix Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 1 Accounting policies (continued)

##### Key sources of estimation uncertainty

Inventory is carried in the financial statements at the lower of cost and net realisable value. Cost includes product purchase price and associated inward transportation costs. Net realisable value is based on estimated selling price less further costs incurred to disposal. The carrying value of stock, net of appropriate provision, is shown in note 10 to the financial statements.

The directors have used their knowledge and experience of the industry in determining the level and rates of provisioning required to calculate the appropriate inventory carrying values. Sales in the industry vary with changes in consumer demand. As a result, there is a risk that the cost of inventory exceeds its net realisable value or could become obsolete. Management calculate the inventory provision on the basis of the ageing profile of what is in stock and anticipated sales levels. Adjustments are made where appropriate based on directors' knowledge and experience to calculate the appropriate inventory carrying values.

#### 2 Turnover

No geographical split of turnover is disclosed as the directors are of the opinion that such disclosure would be seriously prejudicial to the interests of the company. All revenue is derived from the sale of goods.

#### 3 Interest payable and similar charges

	2021	2020
	£ 000	£ 000
Interest on group borrowings	<u>270</u>	<u>525</u>

#### 4 Operating profit

Arrived at after charging/(crediting)

	2021	2020
	£ 000	£ 000
Depreciation of owned assets	396	480
Depreciation of assets held under finance lease	-	47
Operating leases - land and buildings	170	169
Operating leases - other	92	86
Profit on sale of tangible fixed assets	(1)	(1)
Auditor's remuneration - audit services	26	25
Foreign currency (gains)/losses	86	(106)
Government grant income	-	(520)
Research and development expenditure	<u>590</u>	<u>444</u>

## Pyronix Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 5 Staff costs

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2021 No.	2020 No.
Management	9	7
Production and sales	217	214
Administration and support	18	20
	<u>244</u>	<u>241</u>

The aggregate payroll costs (including directors' remuneration) were as follows:

	2021 £ 000	2020 £ 000
Wages and salaries	9,663	7,826
Social security costs	1,036	848
Staff pensions	910	788
	<u>11,609</u>	<u>9,462</u>

#### 6 Directors' remuneration

The directors' remuneration for the year was as follows:

	2021 £ 000	2020 £ 000
Remuneration (including benefits in kind)	443	409
Contributions paid to money purchase schemes	132	134
	<u>575</u>	<u>543</u>

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2021 No.	2020 No.
Accruing benefits under money purchase pension scheme	<u>4</u>	<u>4</u>

In respect of the highest paid director:

	2021 £ 000	2020 £ 000
Remuneration	115	115
Company contributions to money purchase pension schemes	40	11
	<u>155</u>	<u>126</u>

## Pyronix Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 7 Income tax

Tax charged/(credited) in the income statement

	<b>2021</b>	<b>2020</b>
	<b>£ 000</b>	<b>£ 000</b>
<b>Current taxation</b>		
UK corporation tax	490	368
UK corporation tax adjustment to prior periods	<u>(33)</u>	<u>8</u>
	457	376
<b>Deferred taxation</b>		
Arising from origination and reversal of timing differences	<u>43</u>	<u>41</u>
Tax expense in the profit and loss account	<u><u>500</u></u>	<u><u>417</u></u>

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2020 - higher than the standard rate of corporation tax in the UK) of 19% (2020 - 19%).

The differences are reconciled below:

	<b>2021</b>	<b>2020</b>
	<b>£ 000</b>	<b>£ 000</b>
Profit before tax	<u>2,466</u>	<u>2,112</u>
Corporation tax at standard rate	469	401
Patent Box deduction	(18)	(26)
Expenses not deductible for tax	94	33
Other differences	<u>(45)</u>	<u>9</u>
Total tax charge	<u><u>500</u></u>	<u><u>417</u></u>

#### Deferred tax

Deferred tax assets and liabilities

		<b>Liability</b>
		<b>£ 000</b>
<b>2021</b>		
Difference between accumulated depreciation and amortisation and capital allowances		39
Other timing differences		<u>(19)</u>
		<u>20</u>
<b>2020</b>		
Difference between accumulated depreciation and amortisation and capital allowances		8
Other timing differences		<u>15</u>
		<u><u>23</u></u>

**Pyronix Limited**

**Notes to the Financial Statements for the Year Ended 31 December 2021  
(continued)**

**8 Intangible assets**

	Goodwill £ 000	Intellectual Property £ 000	Development costs £ 000	Total £ 000
<b>Cost</b>				
At 1 January 2021 and at 31 December 2021	590	84	532	1,206
<b>Amortisation</b>				
At 1 January 2021 and at 31 December 2021	590	84	532	1,206
<b>Net book value</b>				
At 1 January 2021 and at 31 December 2021	-	-	-	-

**9 Tangible assets**

	Land and buildings £ 000	Fixtures and fittings £ 000	Plant and machinery £ 000	Motor vehicles £ 000	Total £ 000
<b>Cost or valuation</b>					
At 1 January 2021	4,257	1,995	2,518	70	8,840
Additions	57	44	276	-	377
Disposals	-	(165)	(12)	-	(177)
At 31 December 2021	4,314	1,874	2,782	70	9,040
<b>Depreciation</b>					
At 1 January 2021	995	1,826	2,051	70	4,942
Charge for the year	161	106	129	-	396
Eliminated on disposal	-	(150)	(12)	-	(162)
At 31 December 2021	1,156	1,782	2,168	70	5,176
<b>Carrying amount</b>					
At 31 December 2021	3,158	92	614	-	3,864
At 31 December 2020	3,262	169	467	-	3,898

Within land and buildings are long leasehold land and buildings with a cost and accumulated depreciation at the beginning of the year of £603,849 (2020 - £603,849) and £171,191 (2020 - £143,594) respectively. The depreciation charge for the year was £27,595 (2020 - £27,597) giving accumulated depreciation at the end of the year of £198,786 (2020 - £171,191).

All other amounts within land and buildings relate to freehold land and buildings.

## Pyronix Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 9 Tangible assets (continued)

##### Revaluation as deemed cost

Land and buildings contain assets valued on an existing use basis in 2013 that have a current net book value of £810,318 (2020 - £837,264) and a historical cost carrying value of £349,940 (2020 - £359,937).

The company has applied the transitional arrangements of Section 35 of FRS 102 and used this previous valuation as the deemed cost for these assets. The assets are being depreciated from the revaluation date. As the assets are depreciated or sold, an appropriate transfer is made from the revaluation reserve to retained earnings.

#### 10 Stocks

	2021 £ 000	2020 £ 000
Raw materials	5,729	5,056
Work in progress	1,456	994
Finished goods	4,903	3,358
	<u>12,088</u>	<u>9,408</u>

#### 11 Debtors

	2021 £ 000	2020 £ 000
Trade debtors	4,708	5,509
Amounts due from group undertakings	1,285	904
Other receivables	213	305
Deferred tax assets	-	23
Corporation tax	445	516
Prepayments and accrued income	223	197
	<u>6,874</u>	<u>7,454</u>

#### 12 Creditors

	2021 £ 000	2020 £ 000
<b>Due within one year</b>		
Trade creditors	2,804	2,599
Amounts due to group undertakings	11,286	12,467
Other taxes and social security	478	1,394
Other payables	101	49
Accruals and deferred income	5,494	3,422
	<u>20,163</u>	<u>19,931</u>

## Pyronix Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 12 Creditors (continued)

The company has US dollar and GBP sterling loans from group companies which are short term rolling loans. The US dollar loans total \$5.625m at an interest rate of 2.7% per annum and the GBP sterling loans total £4.7m at an interest rate of 1.8% per annum.

Other amounts owed to group undertakings do not bear interest.

#### 13 Obligations under leases and hire purchase contracts

##### Operating leases

The total of future minimum lease payments is as follows:

	2021 £ 000	2020 £ 000
Not later than one year	105	248
Later than one year and not later than five years	138	122
	<u>243</u>	<u>370</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £261,470 (2020 - £255,255).

#### 14 Commitments

##### Capital commitments

The total amount contracted for but not provided in the financial statements was £45,523 (2020 - £19,452).

#### 15 Pension and other schemes

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £909,720 (2020 - £788,703).

Contributions totalling £76,883 (2020 - £78,160) were payable to the scheme at the end of the year and are included in creditors.

## Pyronix Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

#### 16 Share capital

##### Allotted, called up and fully paid shares

	No. 000	2021 £ 000	No. 000	2020 £ 000
21,425 Ordinary shares of £1 each	21	21	21	21
12,051 Convertible 'A' ordinary shares of £1 each	<u>12</u>	<u>12</u>	<u>12</u>	<u>12</u>
	<u>33</u>	<u>33</u>	<u>33</u>	<u>33</u>

The ordinary shares carry no right to fixed income.

#### 17 Reserves

The share premium account reserve contains the premium arising on the issue of equity shares, net of issue expenses.

The retained earnings represents cumulative profits or losses net of dividends paid and other adjustments.

The revaluation reserve represents the cumulative effect of revaluations of freehold land and buildings which were revalued on transition to FRS102 as a onetime revaluation, representing deemed cost.

The capital redemption reserve relates to repurchase of company shares and is treated as non-distributable.

#### 18 Related party transactions

The company has taken advantage of the exemption granted in Section 33 of FRS 102 not to disclose related party transactions with other wholly owned group companies.

As a qualifying entity for the purposes of FRS 102, the company has taken advantage of the disclosure exemption available to it in relation to the disclosure of key management personnel compensation.

There were no other related party transactions.

## **Pyronix Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)**

#### **19 Control**

The company's immediate parent undertaking is Cooperatief Hikvision Europe UA, incorporated in Netherlands.

Cooperatief Hikvision Europe UA is the parent undertaking of the smallest group in which the financial statements of the company are consolidated. These financial statements are available from the registered office at Dirk Storklaan 3, 2132 PX Hoofddorp, Netherlands.

The ultimate parent undertaking is Hangzhou Hikvision Digital Technology Co Ltd, incorporated in China.

The most senior parent entity producing publicly available financial statements is Hangzhou Hikvision Digital Technology Co Ltd. These financial statements are available upon request from the registered office at No. 555 Qianmo Road, Binjiang District, Hangzhou 310052, China.