

COMPANIES HOUSE
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FLIR Systems Limited
Annual report and financial statements
31 December 2021

FLIR Systems Limited

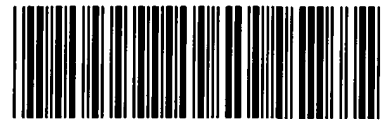
Annual report and financial statements

Registered number 1320288

31 December 2021

Teledyne Confidential; Commercially Sensitive Business Data

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COMPANIES HOUSE

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Directors' Report

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

Dividends

On 18th October 2021 an interim dividend of £5,945k was paid to Teledyne FLIR Government Systems Inc (2020: £Nil).

Directors' interests

The directors who held office during the year and to the date of signing were as follows:

Craig Cooper (Resigned as Company Secretary 14 May 2021)

Sonia Galindo (Appointed 20 July 2020. Resigned 14 May 2021)

Nicholas Wargent (Appointed 14 May 2021). Also Company Secretary (Appointed 14 May 2021)

Melanie Cibik (Appointed 14 May 2021)

Political contributions

The Company made no political donations or incurred any political expenditure during the year.

Covid 19

On 11 March 2020, the World Health Organisation declared the Covid-19 outbreak to be a pandemic. Many governments took stringent steps to help contain the spread of the virus, including requiring self-isolation or quarantine by those potentially affected, implementing social distancing measures, and controlling or closing borders and "locking-down" cities regions or even entire countries. There was also a significant increase in economic uncertainty, evidenced by more volatile asset prices and currency exchange rates, and a significant decline in long-term interest rates in developed economies. At present, the impact of Covid-19 is not expected to have any material effect that may cast significant doubt on the entity's ability to continue as a going concern. Due to the nature of the Company's principal activity as detailed in the Strategic Report, operations have continued with minimal disruption. The directors have assessed the impact of Covid-19 on the entity's continuing operations to not be material, and due to the nature of its customers and applications, Covid-19 is not considered a principal risk.

Going concern

The financial statements of the Company have been prepared on a going concern basis which the directors consider to be appropriate as at the date of their approval for the reasons outlined below.

At the year end the company's balance sheet showed net assets of £3,088k (2020: £8,906k).

The directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds to meet its liabilities as they fall due for that period. The nature of the Company's operations has seen limited impact from Covid-19 on order levels or margins.

Given the strength of the order book, both future and backlog, and the current positive operating cash flow in the period since year end, the Directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements. Consequently, the directors have prepared the financial statements on a going concern basis.

Directors' Report (Continued)

Post balance sheet events

On 24 February 2022 Russian Forces entered Ukraine, resulting in Western Nation reactions including announcements of sanctions against Russia and Russian interests worldwide and an economic ripple effect on the global economy. The directors have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the business, including the impact of mitigation measures and uncertainties, and have concluded that this is a non-adjusting post balance sheet event with the greatest impact on the business expected to be from the economic ripple effect on the global economy. The directors have taken account of these potential impacts in their going concern assessment.

On 7th November 2022 as part of a broader reorganisation to facilitate cash management and reduce hedging and accounting costs, intercompany balances as at 5 September 2022 were consolidated into a loan note with Teledyne Flir LLC.

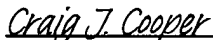
On 30th November 2022 2 Ordinary £1 shares were allotted to the Company's sole shareholder. The allotted shares were issued in consideration for the release of the company from its obligations under a loan note in the sum of £13,172,240.

Disclosure of information to auditor

Each of the persons who is a director at the date of approval of this annual report confirms that:

- so far as the directors are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the directors 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 auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.


Craig J. Cooper (Feb 17, 2023 16:24 GMT)

By order of the board
Craig Cooper
Director

17 February 2023

2 Kings Hill Avenue
Kings Hill
West Malling, Kent
ME19 4AQ

Strategic Report

Principal activities

The principal activity of the Company during the year continued to be the sale, service and maintenance of infrared systems and thermographic equipment in the EMEA geographies. The Company also supplies sales and marketing support to other Group Companies, within a contractual agreement which is based on costs incurred to be recharged plus a mark-up.

FLIR's equipment serves customers through a number of applications in government & defence, industrial, and commercial marketplaces. Its customer base is predominantly made up of large OEMs or European Government agencies. The company continues to see strong interest and orders for its products and services at a consistent margin and has a strong order backlog for its products. Despite the current economic challenges and pressure on Government spending the Company has continued to generate cash in line with expectations through 2022. The current economic situation has also not had a material detrimental impact on expenses either.

Business review

2021 revenue from principal activities was in line with 2020 levels, despite demand for our Airborne products being constricted by COVID19 impacts. However, gross margins reduced by £4.1m due to a number of specific programs with key customers. Administrative expenses increased by £1.35m compared with the prior year due in part to the recovery of a previously written-off debt in 2020.

Review of the Principal Risks and Uncertainties facing the Business

A comprehensive schedule of the risks facing the business is identified within the 10-K filing of the US Parent Teledyne Technologies Inc. (NYSE: TDY). Of those identified the following have the potential to have a disproportionate effect on the UK business:

- Foreign exchange fluctuations – a significant proportion of the company's costs and revenues are denominated in foreign currencies (mainly Euros and USD), as such the company is at risk to fluctuations in these currencies against GBP. Where possible the company endeavours to minimise this risk by matching in and out flows of these currencies. During 2021 the company had a gain on foreign currency of £290k (2020: gain of £1,524k).
- The ability to secure export licences – a large percentage of the revenue generated in the UK business is from products that are subject to the export license controls of various countries' governments. A significant change in the landscape for granting Export Licenses for these products would have a corresponding impact on the UK business.
- In addition to those risks identified above, the longer term impact of the UK's departure from the EU may have a detrimental effect on the UK business the full impact of which can not be known at this time.

Section 172 report

The board of directors of Flir Systems Limited consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its stakeholders as a whole in the decisions taken during the year ended 31 December 2021. Flir Systems Limited is a subsidiary of Teledyne Technologies Inc and recognises that its success is also irrevocably tied to that of the Group as a whole.

As a Group we are committed to saving lives and livelihoods and recognize that what we do and the decisions we make impact our suppliers, our customers, our business partners and our employees.

As a board we have regard when making decisions, amongst other matters, to the following:

Long term consequences

Three year strategic plans are prepared and discussed with and approved by Divisional and Group Management.

Strategic Report (continued)

Interests of company employees

During the period, the policy of providing employees with information about the Company has been continued. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

Relationship with suppliers, customers and others

We recognise the importance of stakeholders outside the business, such as customers and suppliers, to our business and we work ethically together to ensure that our goals are met in a mutually beneficial fashion by negotiating contracts, agreeing payment terms in advance, and maintaining an open dialogue with suppliers and customers.

The impact on the community and the environment

The Company is committed to conducting business in a manner consistent with the well-being of the communities in which it works and of those who buy and use our products. We strive to make positive contributions to those communities. We are also committed to compliance with environmental, health and safety laws and require the same commitment to be made of our suppliers. The Company recognises the importance of the environment and nature resources and encourages our employees to embrace our responsibility to society when using and planning the use of natural resources.

The desirability of maintaining a reputation for high standards of business conduct

The Teledyne Technologies Group oversees an annual reporting and certification process to ensure all relevant employees are aware of the high standards set in this regard and operates a mechanism to notify the company of any shortcomings, including a “whistle-blowing” ethics hotline.

By order of the board

Craig J. Cooper

Craig J. Cooper (Feb 17, 2023 16:24 GMT)

Craig Cooper
Director
17 February 2023

2 Kings Hill Avenue
Kings Hill
West Malling, Kent
ME19 4AQ

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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 then apply them consistently;
- make judgements and 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FLIR SYSTEMS LIMITED

Opinion

We have audited the financial statements of FLIR Systems Limited (the 'company') for the year ended 31 December 2021 which comprise the Profit and Loss Account, Balance Sheet, 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 101 "Reduced Disclosure Framework" (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 loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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.

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.

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 year 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.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 5, 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, and 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, and the Companies Act 2006.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks 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 (Feb 20, 2023 17:38 GMT)

Feb 20, 2023

Anna Campbell (Senior Statutory Auditor) for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor

Apex 2
97 Haymarket Terrace
Edinburgh
EH12 5HD

**Statement of Profit and Loss Account
Year ended 31 December 2021**

	<i>Note</i>	2021	2020
		£000	£000
Turnover	<i>3</i>	29,636	29,790
Cost of sales		(22,830)	(18,881)
Gross profit		6,806	10,909
Administrative expenses	<i>4</i>	(7,269)	(5,919)
Operating (loss)/profit		(463)	4,990
Other income	<i>7</i>	500	-
Net interest and similar expenses	<i>8</i>	5	91
Gain on acquisition		-	278
Profit before taxation	<i>4</i>	42	5,359
Tax on profit	<i>9</i>	(190)	(917)
(Loss)/profit for the financial year	<i>19</i>	(148)	4,442

All activities arise from continuing operations.

A note on historical cost gains and losses has not been included as part of the financial statements as the results as disclosed in the profit and loss account are prepared on an unmodified historical cost basis.

There were no recognised gains or losses during the year other than those reflected in the above profit and loss account.

The notes on pages 12 to 24 form part of these financial statements.

Balance sheet
at 31 December 2021

	<i>Note</i>	2021 £'000	2021 £'000	2020 £'000	2020 £'000
Fixed assets					
Tangible assets	<i>10</i>		2,500		2,511
Current assets					
Stocks	<i>13</i>	413		1,223	
Debtors	<i>14</i>	9,409		14,485	
Cash at bank and in hand		5,901		5,351	
		15,723		21,059	
Creditors: amounts falling due within one year	<i>15</i>	(11,629)		(11,153)	
Net current assets			4,094		9,906
Total assets less current liabilities			6,594		12,417
Creditors: amounts falling due after more than one year	<i>16</i>		(2,754)		(2,762)
Provisions for liabilities	<i>17</i>		(752)		(749)
Net assets			3,088		8,906
Capital and reserves					
Called up share capital	<i>18</i>		465		465
Capital reserve	<i>19</i>		250		250
Profit and loss account	<i>19</i>		2,373		8,191
Shareholders' funds			3,088		8,906

All activities arise from continuing operations.

Notes from pages 12 to 24 for part of these financial statements.

These financial statements were approved by the board of directors on 17 February 2023 and were signed on its behalf by:

Craig J. Cooper
Craig J. Cooper (Feb 17, 2023 16:24 GMT)

Craig Cooper
Director

Statement of Changes in Equity

	Called up Share capital £000	Capital Contributions £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2020	465	250	3,470	4,185
Share based payment transactions	-	-	279	279
Profit for the period	-	-	4,442	4,442
	<hr/>	<hr/>	<hr/>	<hr/>
Total contributions by and distributions to owners	-	-	4,721	4,721
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2020	465	250	8,191	8,906
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	Called up Share capital £000	Capital Contributions £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2021	465	250	8,191	8,906
Share based payment transactions	-	-	275	275
Loss for the period	-	-	(148)	(148)
Dividend paid	-	-	(5,945)	(5,945)
	<hr/>	<hr/>	<hr/>	<hr/>
Total contributions by and distributions to owners	-	-	(5,818)	(5,818)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2021	465	250	2,373	3,088
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes from pages 12 to 24 form part of these financial statements

Notes to the financial statements

1 General Information

FLIR Systems Ltd (the “Company”) is a company limited by shares and incorporated and domiciled in England in the UK. The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (“FRS 101”). In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (“Adopted IFRSs”) but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

2 Accounting policies

Basis of accounting

The financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments.

The principal accounting policies adopted are set out below.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Certain disclosures regarding revenue
- Comparative period reconciliations for share capital, tangible fixed assets, intangible assets;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of Teledyne Technologies Inc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 *Share Based Payments* in respect of group settled share based payments;
- Certain disclosures required by IAS 36 *Impairment of assets* in respect of the impairment of goodwill and indefinite life intangible assets; and
- The disclosures required by IFRS 7 *Financial Instrument Disclosures*

IFRS 1 grants certain exemptions from the full requirements of Adopted IFRSs in the transition period.

The company is a wholly owned subsidiary and is included in the consolidated financial statements of Teledyne Technologies Inc. which are publicly available, see note 23.

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

Going concern

The financial statements of the Company have been prepared on a going concern basis which the directors consider to be appropriate as at the date of their approval for the reasons outlined below.

At the year end the company’s balance sheet showed net assets of £3,088k (2020: £8,906k).

The directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds to meet its liabilities as they fall due for that period. The nature of the Company’s operations has seen limited impact from Covid-19 on order levels or margins.

Given the strength of the order book, both future and backlog, and the current positive operating cash flow in the period since year end, the Directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements. Consequently, the directors have prepared the financial statements on a going concern basis.

Notes to the financial statements (continued)

Accounting policies (continued)

Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any expected credit losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Post-retirement benefits

The company operates a defined contribution pension scheme.

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees. The assets of the defined contribution scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

The company provides no other post-retirement benefits to its employees.

Share based payments

The share option programmes allow employees to acquire shares of the Parent Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

Notes to the financial statements (continued)

Accounting policies (continued)

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

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 profit and loss.

Provisions

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

The amount recognised as a provision is based on the best reliable estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation and its carrying amount is the present value of those cash flows.

Present obligations arising under onerous contracts are recognised and measure as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are 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.

Turnover

Turnover represents the total net sales to customers excluding value added tax. Sales are recognised upon delivery of the goods, unless the terms of the sale specify acceptance or other procedures in which case IFRS 15 is applicable and the sale is recognised once those procedures have been completed. Turnover earned from the sale of deferred warranty products and maintenance contracts is recognised over the period to which it relates.

Notes to the financial statements (continued)**Accounting policies (continued)****Leasing**

The Company has applied IFRS 16 using the modified retrospective with cumulative effect.

(a.) Definition of a lease

Previously the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4: Determining whether an Arrangement contains a Lease. The Company now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in note 2. On transition to IFRS 16, the Company elected to apply the practical expedient to apply IFRS 16 only to contracts that were previously identified as leases. Contracts that were not previously identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

(b) As a lessee

The Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Only finance leases were then recognised on the balance sheet.

Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

Dividends

Dividends are recognised when shareholders obtain the right to receive payment. This is when the Board of Directors approves the distribution of dividends.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

The company assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

Real estate leased		Over the term of the lease
Short leasehold land and buildings	-	Over the term of the lease
Fixtures, fittings, tools and equipment	-	15% - 33% per annum
Motor Vehicles	-	20% per annum

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

Notes to the financial statements (continued)

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, management must make judgements, estimates and assumptions concerning the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based upon factors such as 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 of the revision and future periods if the revision affects current and futures periods.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material misstatement to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Provisions for liabilities

On leased premises there are obligations relating to the reinstatement of the property to the condition at the commencement of the lease.

Stock provision

A stock provision is made when the recoverable value is lower than the carrying value of stock, which requires management's judgement as to whether stock is valued at the lower of cost or net realisable value.

Notes to the financial statements (continued)**3 Analysis of Turnover**

	2021 £000	2020 £000
<i>By geographical market</i>		
Principal activities		
Europe	25,064	25,363
United States of America	-	88
Rest of world	2,321	977
	<u>27,385</u>	<u>26,428</u>
Other operating income		
Europe	1,094	739
United States of America	1,157	2,623
	<u>2,251</u>	<u>3,362</u>
Total Turnover	<u><u>29,636</u></u>	<u><u>29,790</u></u>

4 Profit before taxation

	2021 £000	2020 £000
<i>Profit on ordinary activities before taxation is stated after charging/(crediting):</i>		
Depreciation	434	479
Staff costs (see Note 6)	5,045	4,713
Exchange gain	(290)	(1,524)
Gain on purchase of assets	-	278
	<u>5,189</u>	<u>8,446</u>
Auditor's remuneration: - Audit of these financial statements	22	29
	<u><u>5,211</u></u>	<u><u>8,475</u></u>

5 Remuneration of directors

	2021 £000	2020 £000
Directors' emoluments	216	172
Company contributions to pension scheme	12	11
	<u>228</u>	<u>183</u>

Retirement benefits are accruing for 1 (2020: 1) Director under money purchase pension schemes.

Notes to the financial statements (continued)**6 Staff numbers and costs**

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

	Number of employees	
	2021	2020
Operations	17	15
Sales and marketing	23	25
Administration	13	12
	<u>53</u>	<u>52</u>

The aggregate payroll costs of these persons were as follows:

	2021 £000	2020 £000
Wages and salaries	3,946	3,690
Social security costs	501	494
Share based payments (see Note 19)	338	279
Other pension costs (see Note 21)	260	250
	<u>5,045</u>	<u>4,713</u>

7 Other Income

	2021 £000	2020 £000
Dividend income	500	-
	<u>500</u>	<u>-</u>

The dividend income has arisen from the DVTEL UK Limited, 100% owned subsidiary of FLIR Systems Limited. This non-cash distribution was approved on 22nd October 2021 and the subsidiary subsequently dissolved.

8 Net interest and similar expenses

	2021 £000	2020 £000
Interest income on bank balances and liquid resources	5	91
	<u>5</u>	<u>91</u>

Notes to the financial statements (continued)**9 Taxation**

Analysis of charge in period	2021 £000	2020 £000
<i>Current tax</i>		
Current tax on income for the period	163	1,041
Adjustments in respect of prior periods	(2)	(111)
Total current tax	161	930
Deferred tax (see below)	29	(13)
Total tax	190	917

Factors affecting the tax charge for the current period

The effective tax rate is 452% (2020: 17.1%) for the year.

The current tax charge for the period is higher than the standard rate of corporation tax in the UK. The differences are explained below:

	2021 £000	%	2020 £000	%
<i>Reconciliation of effective tax rate</i>				
Profit on ordinary activities before tax	42		5,359	
Tax using the UK corporation tax of 19% (2020: 19%)	8		1,018	
<i>Effects of:</i>				
Expenses not deductible for tax purposes	68		55	
Depreciation for period in excess of capital allowances	35		-	
HMRC Penalty	142		-	
Share based payments	(61)		(45)	
Adjustments to tax charge in respect of previous periods	(2)		(111)	
Reduction in tax rate on deferred tax balances	-		-	
Total tax charge (see above)	190	452%	917	17.1%

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate would increase from 19% to 25% for companies with profits over £250k.

Deferred tax asset

A deferred tax asset of £33k (2020: £62k) has been recognised.

The elements of deferred tax are as follows:

	2021 £000	Charge for year £000	2020 £000
Differences between accumulated depreciation and capital allowances	20	(31)	51
Deferred tax on share based payments	13	2	11
Total deferred tax asset	33	(29)	62

Notes to the financial statements (continued)**10 Tangible fixed assets**

	Real Estate Leased £000	Short leasehold land and buildings £000	Fixtures, fittings, tools and equipment £000	Motor Vehicles £000	Total £000
Cost					
At 1 January 2021	2,613	126	4,100	274	7,113
Additions	-	185	181	57	423
Disposals	-	-	-	(36)	(36)
At 31 December 2021	2,613	311	4,281	295	7,500
Depreciation					
At 1 January 2021	442	126	3,971	63	4,602
Charged in year	258	19	90	67	434
Disposals	-	-	-	(36)	(36)
At 31 December 2021	700	145	4,061	94	5,000
Net book value					
At 31 December 2021	1,913	166	220	201	2,500
At 30 December 2020	2,171	-	129	211	2,511

11 Leases as a lessee (IFRS 16)

Right-of-use assets

Right-of-use assets related to lease properties that do not meet the definition of investment properties are presented as tangible fixed assets (see note 10):

	Leased properties £'000
Balance as at 1 January 2021	2,173
Additions in the year	185
Depreciation charge for the year	(277)
Balance as at 31 December 2021	2,081

The following amounts have been recognised in profit or loss for which the Company is a lessee

	£'000
2021 Leases under IFRS 16	
Interest expense on lease liabilities	71
2020 Leases under IFRS 16	
Interest expense on lease liabilities	100

Notes to the financial statements (continued)

12 Fixed asset investments

Details of the Company's subsidiary at 31 December 2021 are as follows:

Shares in Group undertakings	£'000
Cost	
At 1 January and 31 December 2021	-
	-
Net book value	
At 31 December 2021	-
	-

Name and address of subsidiary	Place of incorporation (or registration)	Principal activity	Class and percentage of shares held
DVTel UK Limited 37 Broadhurst Gardens, London, NW6 3QT	UK	Dissolved	Ordinary 100%

On 1st February 2022 DVTel UK Limited was dissolved.

13 Stocks

	2021 £000	2020 £000
Raw materials and sub-assemblies	413	1,223
	413	1,223

14 Debtors

	2021 £000	2020 £000
Trade debtors	7,171	8,938
Amounts owed by group undertakings	908	4,566
Deferred tax asset (see note 9)	33	62
Prepayments and accrued income	62	99
Corporation tax debtor	1,114	8
Other debtors	121	812
	9,409	14,485

The directors consider that the carrying amount of trade and other receivables approximates to their fair value. Amounts owed by group undertakings are interest free, unsecured, and repayable on demand.

Notes to the financial statements (continued)**15 Creditors: amounts falling due within one year**

	2021 £000	2020 £000
Payments received on account	208	542
Trade creditors	8	425
Amounts owed to group undertakings	5,906	5,020
Current lease liability	403	357
Other taxation and social security costs	386	500
Accruals	2,641	2,112
Deferred income	2,077	2,144
	<u>11,629</u>	<u>11,100</u>

Amounts owed to group undertakings are interest free, unsecured and repayable on demand. The directors consider that the carrying amount of trade and other payables approximates to their fair value.

16 Creditors: amounts falling due after more than one year

Amounts falling due after more than one year and less than five years:	2021 £000	2020 £000
Deferred income	968	675
Lease liabilities	1,417	1,168
	<u>2,385</u>	<u>1,843</u>
Amounts falling due after more than five years:	2021 £000	2020 £000
Lease liabilities	369	919
Total	<u>2,754</u>	<u>2,762</u>

17 Provisions for liabilities

	Dilapidations provisions £000	Contract provisions £000	Warranty provisions £000	Total £000
<i>Cost</i>				
At beginning of year	177	344	228	749
Release to the profit and loss account for the year	-	-	(72)	(72)
Additional amounts provided	75	-	-	75
	<u>252</u>	<u>344</u>	<u>156</u>	<u>752</u>
At end of year	<u>252</u>	<u>344</u>	<u>156</u>	<u>752</u>

Dilapidations provision relates to the anticipated costs arising on the vacation of the company's current business premises. Contract provisions relate to costs the company is likely to incur in order to fulfil its obligations on certain identifiable contracts. Warranty provisions relate to amounts the company anticipates it will have to incur to fulfil its constructive and legal obligations under warranty agreements.

Notes to the financial statements (continued)**18 Called up share capital**

	2021 £000	2020 £000
<i>Allotted, called up and fully paid</i> 465,000 ordinary shares of £1 each	465	465

19 Reserves

	Capital Contributions £000	Profit and loss account £000
At 1 January 2021	250	8,191
Loss for the year	-	(148)
Credit in relation to share based payments	-	275
Dividend	-	(5,945)
At 31 December 2021	250	2,373

There is an employee LTIP scheme which under IFRS2 results in a capital contribution of £275k (2020:£279k) by the ultimate parent company as they issue shares to employees of the Company as part of the scheme at no additional cost to the Company.

20 Contingent liabilities

The company has a contingent liability regarding duty deferment guarantees at 31 December 2021 to the extent of £60k (2020: £60k).

There is a cross guarantee in place between Flir Systems Limited and Teledyne Flir LLC. There is no contingent liability at the balance sheet date (2020: Nil).

21 Pension obligations

The company operates a defined contribution pension scheme for its employees. The assets of the scheme are held in a separate trustee administered fund. The company contributes 4% of pensionable pay to the scheme and matches employee contributions up to a further 4%. These contributions are charged to the profit and loss account as incurred. The company contributed £260k (2020: £250k) to the scheme during the year of which £Nil (2020: £Nil) was accrued but not yet paid at year end.

22 Post Balance Sheet Events

On 24 February 2022 Russian Forces entered Ukraine, resulting in Western Nation reactions including announcements of sanctions against Russia and Russian interests worldwide and an economic ripple effect on the global economy. The directors have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the business, including the impact of mitigation measures and uncertainties, and have concluded that this is a non-adjusting post balance sheet event with the greatest impact on the business expected to be from the economic ripple effect on the global economy. The directors have taken account of these potential impacts in their going concern assessment.

On 7th November 2022 as part of a broader reorganisation to facilitate cash management and reduce hedging and accounting costs, intercompany balances as at 5 September 2022 were consolidated into a loan note with Teledyne Flir LLC.

On 30th November 2022 2 Ordinary £1 shares were allotted to the Company's sole shareholder. The allotted shares were issued in consideration for the release of the company from its obligations under a loan note in the sum of £13,172,240.

Notes to the financial statements (continued)

23 Ultimate parent undertaking and parent undertaking of larger group of which the company is a member

The company is a subsidiary undertaking of Teledyne FLIR Government Systems Inc, a company incorporated in the United States of America. The ultimate parent undertaking is Teledyne Technologies Inc (USA), incorporated in the United States of America.

The consolidated financial statements of Teledyne Technologies Inc and the results of the company will be included in their consolidated financial statements which are available to the public and are available on line by visiting www.teledyne.com or 1049 Camino Dos Rios, Thousand Oaks, California, 91360-2362, United States.

The company has no ultimate controlling party due to the listed status of the ultimate parent undertaking.

24 Related party transactions

There were no related party transactions other than those with other wholly owned Group companies.