

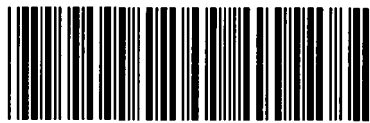
FLIR Systems Limited

Annual report and financial statements

Registered number 1320288

31 December 2019

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Directors' Report

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

For the year ended 31 December 2019 the basis of preparation of these accounts has changed from FRS102 to FRS 101.

Dividends

There was a £14.5m final dividend paid in respect of the year ended 31 December 2019 (2018: £28.1m).

Directors' interests

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

CJ Cooper

HF Christiansen (resigned 24 February 2020)

S Galindo (appointed 20 April 2020)

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 are taking 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 has also been 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 £4,186k (2018: £14,289k).

The directors have prepared cash flow forecasts for a period of 15 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides. The nature of the Company's operations, as detailed in the principal activities section of the Strategic Report, 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 15 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)

Disclosure of information to auditor

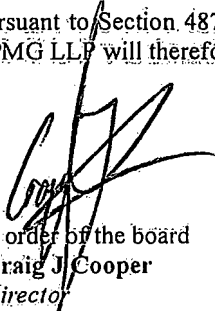
Each of the persons who is a director at the date of approval of this annual report confirms that:

- 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.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.


By order of the board
Craig J Cooper
Director

12th December 2020

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.

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 2020. The current economic situation has also not had a material detrimental impact on expenses either.

The Company is a subsidiary undertaking of FLIR Systems Inc., a company incorporated in the United States of America which is also the ultimate controlling party.

Business review

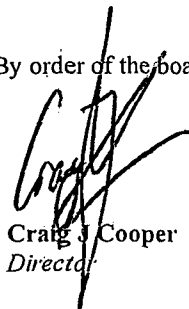
2019 revenue increased by £5.3m on 2018 levels, mainly through strong opening backlog and increased demand for our Airborne products. Gross margins increased by £1.2m due to the higher Revenue levels. Administrative expenses increased by £0.9m compared with the prior year driven by a circa £1m legal settlement.

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 FLIR Systems Inc. (NASDAQ: FLIR). 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 2019 the company had a loss on foreign currency of £1,056k (2018: loss of £981k).
- 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 impact of the UK's departure from the EU is likely to have a detrimental effect on the UK business in both the short and longer term. The full impact of this will be better known once the terms of the departure are fully understood.

By order of the board



Craig J. Cooper
Director

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

12th December 2020

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 2019 which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and

- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their 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; 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; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

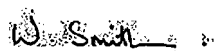
Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



William Smith (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

16 December 2020

Statement of Profit and Loss Account
Year ended 31 December 2019

	<i>Note</i>	2019 £000	2018 £000
Turnover	2	35,036	29,668
Cost of sales		(25,305)	(21,203)
Gross profit		<u>9,731</u>	<u>8,465</u>
Administrative expenses		(4,719)	(3,796)
Operating profit		<u>5,012</u>	<u>4,669</u>
Other income		-	296
Other interest payable and similar expenses	6	(251)	(399)
Profit before taxation	3	<u>4,761</u>	<u>4,566</u>
Tax on profit	7	(701)	(821)
Profit for the financial year		<u>4,060</u>	<u>3,745</u>
- Profit from continuing operations		4,060	3,745
Total profit for the financial year	15	<u><u>4,060</u></u>	<u><u>3,745</u></u>

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.

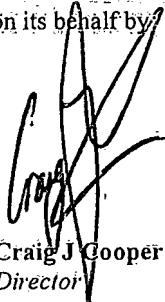
The notes on pages 11 to 23 form part of these financial statements.

Balance sheet
at 31 December 2019

	<i>Note</i>	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Fixed assets					
Tangible assets	8		2,670		571
			<u>2,670</u>		<u>571</u>
Current assets					
Stocks	9	1,132		1,309	
Debtors including £8,076k (2018: £8,466k) due after more than one year	10	27,333		21,787	
Cash at bank and in hand		5,857		5,195	
		<u>34,322</u>		<u>28,291</u>	
Creditors: amounts falling due within one year	11	(28,585)		(12,836)	
Net current assets			<u>5,737</u>		<u>15,455</u>
Total assets less current liabilities			<u>8,407</u>		<u>16,026</u>
Creditors: amounts falling due after more than one year	12		(3,076)		(674)
Provisions for liabilities	13		(1,146)		(1,063)
Net assets			<u>4,185</u>		<u>14,289</u>
Capital and reserves					
Called up share capital	14		465		465
Capital reserve	15		250		250
Profit and loss account	15		3,470		13,574
Shareholders' funds			<u>4,185</u>		<u>14,289</u>

All activities arise from continuing operations.

These financial statements were approved by the board of directors on 12th December 2020 and were signed on its behalf by:



Craig J Cooper
Director

The notes on pages 10 to 22 form part of these financial statements.

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 2018	465	250	37,619	38,334
Share based payment transactions	-	-	310	310
Profit for the period	-	-	3,745	3,745
Dividend	-	-	(28,100)	(28,100)
Total contributions by and distributions to owners	-	-	(24,045)	(24,045)
Balance at 31 December 2018	465	250	13,574	14,289

	Called up Share capital £000	Capital Contributions £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2019	465	250	13,574	14,289
Impact of IFRS 16	-	-	4	4
Share based payment transactions	-	-	332	332
Profit for the period	-	-	4,060	4,060
Dividend	-	-	(14,500)	(14,500)
Total contributions by and distributions to owners	-	-	(10,104)	(10,104)
Balance at 31 December 2019	465	250	3,470	4,185

Notes to the financial statements

1 Accounting policies

FLIR Systems Ltd (the “Company”) is a company limited by shares and incorporated and domiciled in England in the UK.

In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position, financial performance and cashflows of the Company is provided in note 21.

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 FLIR Systems Inc. which are publicly available, see note 19.

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 FLIR Systems 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*

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

Measurement convention

The financial statements are prepared on the historical cost basis.

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 £4,186k (2018: £14,289k).

The directors have prepared cash flow forecasts for a period of 15 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides. The nature of the Company’s operations, as detailed in the principal activities section of the Strategic Report, 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 15 months from the date of approval of the financial statements.

Consequently, the directors have prepared the financial statements on a going concern basis.

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.

Notes to the financial statements (continued)

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 impairment 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.

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.

Notes to the financial statements (continued)

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 the sale is recognised once those procedures have been completed.

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:

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)

2 Analysis of Turnover

	2019 £000	2018 £000
<i>By geographical market:</i>		
Europe	34,706	28,809
United States of America	183	25
Rest of world	147	834
	<u>35,036</u>	<u>29,668</u>

All turnover arose from the principal activity of the company.

3 Profit before taxation

	2019 £000	2018 £000
<i>Profit on ordinary activities before taxation is stated after charging/(crediting):</i>		
Depreciation	505	258
Operating lease rentals:		
- plant and machinery	31	95
- other	58	254
Exchange losses/(gain)	1,056	981
	<u>2019 £000</u>	<u>2018 £000</u>
Auditor's remuneration:		
- Audit of these financial statements	39	39
	<u>39</u>	<u>39</u>

4 Remuneration of directors

	2019 £000	2018 £000
Directors' emoluments	183	173
Company contributions to pension scheme	12	11
	<u>195</u>	<u>184</u>

Retirement benefits are accruing for 1 (2018: 1) Director under money purchase pension schemes.

Notes to the financial statements (continued)

5 Staff numbers and costs

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

	Number of employees	
	2019	2018
Administrative and selling	51	52

The aggregate payroll costs of these persons were as follows:

	2019	2018
	£000	£000
Wages and salaries	3,490	3,888
Social security costs	453	484
Share based payments	332	310
Other pension costs	239	233
	<u>4,514</u>	<u>4,915</u>

6 Other interest payable and similar expenses

	2019	2018
	£000	£000
On bank balances and liquid resources	355	518
Unrealised foreign exchange gain	(606)	(917)
	<u>(251)</u>	<u>(399)</u>

Notes to the financial statements (continued)

7 Taxation

Analysis of charge in period

	2019 £000	2018 £000
<i>Current tax</i>		
Current tax on income for the period	919	851
Adjustments in respect of prior periods	(242)	(9)
Total current tax	677	842
Deferred tax (see below)	24	(21)
Total tax	701	821

Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2018: lower) than the standard rate of corporation tax in the UK 19% (2018: 19%). The differences are explained below.

	2019 £000	2018 £000
<i>Reconciliation of effective tax rate</i>		
Profit on ordinary activities before tax	4,761	4,566
Tax using the UK corporation tax of 19% (2018: 19%)	905	868
<i>Effects of:</i>		
Expenses not deductible for tax purposes	93	71
Corporation tax relief for employee share acquisition	(79)	(88)
Adjustments to tax charge in respect of previous periods	(242)	(9)
Reduction in tax rate on deferred tax balances	-	-
Total current tax charge (see above)	677	842

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 31 December 2019 has been calculated based on these rates.

Deferred tax asset

A deferred tax asset of £49k (2018: £73k) has been recognised.

The elements of deferred tax are as follows:

	2019 £000	Credit for year £000	2018 £000
Differences between accumulated depreciation and capital allowances	30	(5)	35
Deferred tax on share based payments	19	(19)	38
Total deferred tax asset	49	(24)	73

Notes to the financial statements (continued)

8 Tangible fixed assets

	Real Estate Leased £000	Short leasehold land and buildings £000	Fixtures, fittings, tools and equipment £000	Motor Vehicles £000	Total £000
<i>Cost</i>					
At 1 January 2019	-	318	4,249	23	4,590
Additions	2,531	-	-	83	2,624
Disposals	-	(192)	(149)	(23)	(364)
At 31 December 2019	2,531	126	4,100	83	6,850
<i>Depreciation</i>					
At 1 January 2019	-	318	3,690	11	4,019
Charged in year	216	-	241	48	505
Disposals	-	(192)	(150)	(12)	(354)
At 31 December 2019	216	126	3,781	47	4,170
<i>Net book value</i>					
At 31 December 2019	2,315	-	319	36	2,670
At 1 January 2019	-	-	559	12	571

Notes to the financial statements (continued)

9 Stocks

	2019	2018
	£000	£000
Finished goods for resale	1,132	1,309
	1,132	1,309

10 Debtors

	2019	2018
	£000	£000
Trade debtors	16,238	12,658
Amounts owed by group undertakings	10,315	8,753
Deferred tax asset (see note 7)	49	73
Prepayments and accrued income	86	255
Corporation tax debtor	222	-
Other debtors	423	48
	27,333	21,787

Debtors include amounts owed by group undertakings of £8,076k (2018: £8,466k) due after more than one year on which interest is charged at Euro LIBOR plus 3%.

11 Creditors: amounts falling due within one year

	2019	2018
	£000	£000
Payments received on account	1,614	2,422
Trade creditors	268	770
Amounts owed to group undertakings	21,701	4,007
Corporation tax	-	307
Current lease liability	239	-
Other taxation and social security costs	246	338
Accruals	2,765	2,914
Deferred income	1,752	2,078
	28,585	12,836

Amounts owed to group undertakings are interest free, unsecured and repayable on demand.

Notes to the financial statements (continued)

12 Creditors: amounts falling due after more than one year

	2019 £000	2018 £000
Deferred income	948	674
Long term lease liability	2,128	-
	<u>3,076</u>	<u>674</u>

13 Provisions for liabilities

	Dilapidations provisions £000	Contract provisions £000	Warranty provisions £000	Total £000
<i>Cost</i>				
At beginning of year	173	718	172	1,063
Charge/ (release) to the profit and loss account for the year	-	(127)	(285)	(412)
Additional amounts provided	4	192	299	495
	<u>177</u>	<u>783</u>	<u>186</u>	<u>1,146</u>
At end of year	177	783	186	1,146

The 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.

The warranty provision relates to amounts the company anticipates it will have to incur to fulfil its constructive and legal obligations under warranty agreements.

14 Called up share capital

	2019 £000	2018 £000
<i>Allotted, called up and fully paid</i> 465,000 ordinary shares of £1 each	465	465
	<u>465</u>	<u>465</u>

Notes to the financial statements (continued)

15 Reserves

	Capital Contributions £000	Profit and loss account £000
At 1 January 2019	250	13,574
Impact of IFRS16	-	4
Profit for the year	-	4,060
Credit in relation to share based payments	-	332
Dividend	-	(14,500)
	<hr/>	<hr/>
At 31 December 2019	250	3,470
	<hr/> <hr/>	<hr/> <hr/>

There is an employee LTIP scheme which under IFRS2 results in a capital contribution of £332k (2018: £310k) 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.

16 Contingent liabilities

The company has a contingent liability regarding duty deferment guarantees at 31 December 2019 to the extent of £50k (2018: £250k).

17 Commitments under operating leases

Annual commitments under non-cancellable operating leases are as follows:

	2019		2018	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
- within one year	-	82	-	66
- within two to five years	-	53	-	46
- after more than five years	305	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	305	135	-	112
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The amount of non-cancellable operating lease payments recognised as an expense during the period was £391k (2018: £254k).

Notes to the financial statements (continued)

18 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 £239k (2018: £233k) to the scheme during the year of which £882 (2018: £882) was accrued but not yet paid at year end.

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

The company is a subsidiary undertaking of FLIR Systems Inc., a company incorporated in the United States of America which is also the ultimate controlling party.

The largest group in which the results of the company are consolidated is that headed by FLIR Systems Inc., incorporated in the United States of America. The consolidated accounts of this company are available to the public and may be obtained from FLIR Systems Inc., 27700A SW Parkway Avenue, Wilsonville, OR 97070, United States of America. No other group accounts include the results of the company.

20 Change in significant accounting policies

The Company has applied IFRS 16 using the modified retrospective with cumulative effect method – i.e. by recognising the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of equity at 1 January 2019. Therefore, the comparative information has not been restated and continues to be reported under IAS 17. The disclosure requirements in IFRS 16 have not been applied to comparative information. The details of the changes and quantitative impact are set out below.

(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 1. 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.

Leases classified as operating leases under IAS 17

On transition, for operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 January 2019.

Right-of-use assets were measured at their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Company's incremental borrowing rate at the date of initial application

Notes to the financial statements (continued)

20 Change in significant accounting policies (continued)

The Company has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Company used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular these were:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment);
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

Leases classified as finance leases under IAS 17

For these finance leases, the carrying amount of the right-of-use asset was determined at the carrying amount of the lease asset under IAS 17 at 31 December 2018. There was no change made to the lease liability.

The following table summarises the quantitative impact of adopting IFRS 16 on the Company's financial statements for the year ending 31 December 2019.

	Impact of adoption of IFRS 16		
	As reported	Adjustments	Balances with adoption of IFRS 16
	£000	£000	£000
Balance sheet			
Property, plant and equipment	319	2,351	2,670
Other interest-bearing loans and borrowings (current)	-	(239)	(239)
Other interest-bearing loans and borrowings (non-current)	-	(2,128)	(2,128)
	<hr/>	<hr/>	<hr/>
Retained Earnings	319	(16)	303
	<hr/>	<hr/>	<hr/>

When measuring the lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 4%.

The following table summarises the difference between the operating lease commitments disclosed under IAS 17 at 31 December 2018 in the Company's financial statements and the lease liabilities recognised at 1 January 2019.

	1 January 2019
	£000
Operating lease commitments at 31 December 2018 as disclosed under IAS 17	112
Discounted using the incremental borrowing rate at 1 January 2019	10
Finance lease liabilities recognised as at 31 December 2018	83
	<hr/>
Lease liabilities recognised as at 1 January 2019	19
	<hr/>

Notes to the financial statements (continued)

21 Explanation of transition to FRS101

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 101.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 December 2019, the comparative information presented in these financial statements for the year ended 31 December 2018 and in the preparation of an opening FRS 101 balance sheet at 1 January 2019.

In preparing its FRS 101 balance sheet, the Company had to make no adjustments to amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP).

20 Post Balance Sheet Events

Covid 19

On 11 March 2020, the World Health Organisation declared the Covid-19 outbreak to be a pandemic. There has been 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.

Despite the potential going concern risk indicators, the directors are confident that Covid 19 is not expected to have material effects on the Company's operations, and there is sufficient basis to enable the company to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements. The financial statements have therefore been prepared on a going concern basis. This basis assumes that the company has adequate resources to realise its assets and discharge its liabilities in the ordinary course of business.

Post balance sheet event

On 12 February 2020 the company acquired the trade, assets and certain liabilities of sister-company DVTEL UK Limited for £500,000.