

Registered number: 01996478

**Pyronix Limited**

**Annual report and financial statements**

**for the year ended 31 December 2017**



**Company Registration No. 01996478**

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# **Pyronix Limited**

## **Company information**

### **Directors**

J S Herrera  
C S Herdman  
V Filianov  
G Dodd  
J Zhi

### **Registered office**

Secure House  
Braithwell Way  
Hellaby  
Rotherham  
South Yorkshire  
S66 8QY

### **Solicitors**

Irwin Mitchell LLP  
Riverside East  
2 Millsands  
Sheffield  
S3 8DT

### **Bankers**

Barclays Bank PLC  
South Yorkshire team  
Barclays Corporate  
1 St Paul's Place  
121 Norfolk Street  
Sheffield  
S1 2JW

### **Auditor**

Deloitte LLP  
Statutory Auditor  
Leeds, United Kingdom

# Pyronix Limited

## Strategic report

The directors present their Strategic Report for the year ended 31 December 2017.

### Principal activity and review of the business

The principal activity of the company is the design, manufacture and marketing of a range of products for the security market. The profit and loss account for the year is set out on page 10.

The Company sales have performed well in the UK but export markets have been impacted by the world economic climate remaining volatile. Performance and growth in the UK has remained very good despite the economic and political uncertainty over the last year. Overall margin has been impacted by exchange rate fluctuations in both the USD and Euro currencies. Increases in the overhead base to allow for future expansion have been ahead of the increases in expected turnover which has detrimentally impacted the results for the current year.

Whilst intruder security market remains highly competitive, the Directors are optimistic that the Company is well positioned to develop its market position.

The Directors do not recommend the payment of a dividend (2016: £402k).

### Key performance indicators

The Company's directors believe that the key performance indicators to assess and manage the trading performance of the Company are revenue and gross margin. The comparison of these KPIs against both prior year and budget are key for the directors to understand the progress of the Company when undertaking strategic planning.

KPI	2017	2016	Analysis
Revenue	£27,369,000	£27,900,000	Revenue has decreased by £531,000 (1.9%) due to challenging export markets whilst the UK has continued to grow.
Gross margin	30.85%	38.61%	Gross margin has decreased by 7.76% due partly to exchange rate effects increasing costs and new absorption costing to follow Hikvision Group rules.

### Principal risks and uncertainties

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

# **Pyronix Limited**

## **Strategic report**

### **Future developments**

The directors expect the general level of activity to increase significantly over the coming years as the Pyronix Intruder brand looks to fully exploit the global distribution network of Hikvision, and investment in research and development leads to a more extensive and comprehensive product portfolio focused on both residential and professional customers in both new and existing markets around the world.



J S Herrera  
Director  
25 September 2018

# **Pyronix Limited**

## **Directors' report**

The directors present their annual report on the affairs of Pyronix Limited ('the Company'), together with the financial statements and auditor's report, for the year ended 31 December 2017.

The Company's principal activity, performance in the year and future developments are set out within the Strategic Report on page 2. Details of any significant events since the balance sheet date are contained in note 21 to the financial statements.

### **Directors**

The directors, who served throughout the year except as noted, and up to the date of the signing of this report, were as follows:

J S Herrera  
C S Herdman  
V Filianov  
G Dodd  
A G Allen (Resigned 27<sup>th</sup> September 2017)  
J Zhi

### **Directors' indemnities**

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

### **Going concern**

The directors confirm their belief it is appropriate to use the going concern basis of preparation for the financial statements.

In forming their opinion as to being a going concern, the directors have considered the reliance the Company place on the ability of Hangzhou Hikvision Digital Technology Co Ltd to provide financial support to the Company.

The Board of the Group prepare cash flow forecasts based upon its assumptions which include particular consideration to key risks and uncertainties, areas of growth and the availability of working capital and borrowings.

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

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

## **Pyronix Limited**

### **Directors' report (continued)**

#### **Auditor**

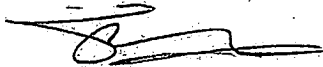
Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself 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.

Deloitte LLP have expressed their willingness to continue in office as auditor and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approved by the Board and signed on its behalf by:



J S Herrera  
Director  
25 September 2018

# **Pyronix Limited**

## **Directors' responsibilities statement**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

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

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

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

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



# **Independent auditor's report to the members of Pyronix Limited**

## **Report on the audit of the financial statements**

### **Opinion**

In our opinion the financial statements of Pyronix Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 22.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

### **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 Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

### **Other information**

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

## **Independent auditor's report to the members of Pyronix Limited**

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

We have nothing to report in respect of these matters.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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 these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Report on other legal and regulatory requirements**

#### **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.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

## **Independent auditor's report to the members of Pyronix Limited**

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

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

### **Use of our report**

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



Matthew Hughes ACA Bsc (Hons) (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
Leeds, United Kingdom  
26 September 2018

## Pyronix Limited

### Profit and loss account

For the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Turnover	3	27,369	27,900
Cost of sales		(18,926)	(17,129)
<b>Gross profit</b>		<b>8,443</b>	<b>10,771</b>
Distribution costs		(360)	(307)
Administrative expenses		(11,764)	(8,900)
Exceptional costs		-	(319)
Other operating income		290	116
<b>Operating (loss)/ profit</b>		<b>(3,391)</b>	<b>1,361</b>
Finance costs (net)	4	(124)	(105)
<b>(Loss)/profit on ordinary activities before taxation</b>	5	<b>(3,515)</b>	<b>1,256</b>
Tax on (loss)/profit on ordinary activities	8	610	(132)
<b>(Loss)/profit for the financial year attributable to the equity shareholders of the Company</b>		<b>(2,905)</b>	<b>1,124</b>

### Statement of other comprehensive income

There were no other items of income and expenditure for either year other than those stated in the Profit and Loss account. Accordingly a statement of Other Comprehensive Income is not presented.

The accompanying notes form an integral part of the financial statements.

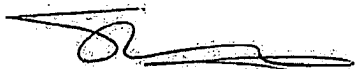
# Pyronix Limited

## Balance sheet

As at 31 December 2017

	Note	2017 £'000	2016 £'000
<b>Fixed assets</b>			
Intangible assets	10	-	-
Tangible assets	11	4,921	5,006
		<u>4,921</u>	<u>5,006</u>
<b>Current assets</b>			
Stocks	12	11,362	5,591
Debtors	13	7,969	5,855
Cash at bank and in hand		618	998
		<u>19,949</u>	<u>12,444</u>
<b>Creditors: amounts falling due within one year</b>	14	(23,030)	(12,432)
<b>Net current (liabilities)/assets</b>		<u>(3,081)</u>	<u>12</u>
<b>Total assets less current liabilities</b>		<u>1,840</u>	<u>5,018</u>
<b>Creditors: amounts falling due after more than one year</b>	15	(99)	(322)
<b>Provisions for liabilities</b>	16	-	(50)
<b>Net assets</b>		<u>1,741</u>	<u>4,646</u>
<b>Capital and reserves</b>			
Called-up share capital	17	33	33
Share premium account		6	6
Capital redemption reserve		447	447
Revaluation reserve		529	546
Retained earnings		726	3,614
<b>Shareholder's funds</b>		<u>1,741</u>	<u>4,646</u>

The financial statements of Pyronix Limited (registered number 01996478) were approved by the board of directors and authorised for issue on 25 September 2018. The accompanying notes form an integral part of the financial statements. They were signed on its behalf by:



J S Herrera Director

25 September 2018

# Pyronix Limited

## Statement of changes in equity As at 31 December 2017

	Called-up share capital (note 18) £'000	Share premium account £'000	Capital redemption reserve £'000	Revaluation reserve £'000	Retained earnings £'000	Total £'000
<b>At 1 January 2016</b>	33	6	447	562	2,474	3,522
Profit for the financial year	-	-	-	-	1,124	1,124
<b>Total comprehensive income</b>	-	-	-	-	1,124	1,124
Transfer of realised profits	-	-	-	(16)	16	-
<b>At 31 December 2016</b>	33	6	447	546	3,614	4,646
Loss for the financial year	-	-	-	-	(2,905)	(2,905)
<b>Total comprehensive expense</b>	-	-	-	-	(2,905)	(2,905)
Transfer of realised profits	-	-	-	(17)	17	-
<b>At 31 December 2017</b>	33	6	447	529	726	1,741

# Pyronix Limited

## Notes to the financial statements (continued) For the year ended 31 December 2017

### 1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

#### *General information and basis of accounting*

Pyronix Limited ('the Company') is a private company limited by shares incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Strategic report on pages 2 to 3.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of the Company is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. The Company is consolidated in the financial statements of its parent, Secure Holdings Limited, which may be obtained from the address in note 23. Exemptions have been taken in these separate Company financial statements in relation to share-based payments, financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

The company has taken exemption from preparing group financial statements as it is included in consolidated financial statements for a larger group which are drawn up as full consolidated audited financial statements which are filed at Companies House. These financial statements present information about the company as an individual undertaking and not about its group.

#### *Going concern*

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report.

The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its current facility. In forming their opinion as to being a going concern, the directors have considered the reliance the Company place on the ability of Hangzhou Hikvision Digital Technology Co Ltd to provide financial support to the Company. The Board of the Group prepare cash flow forecasts based upon its assumptions which include particular consideration to key risks and uncertainties, areas of growth and the availability of working capital and borrowings.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

#### *Intangible assets – goodwill*

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

#### *Intangible assets - other*

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

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

# Pyronix Limited

## Notes to the financial statements (continued) For the year ended 31 December 2017

### 1. Accounting policies (continued)

#### *Tangible fixed assets*

Tangible fixed assets and other intangible fixed assets are stated in the Balance Sheet at cost, less any subsequent accumulated depreciation or amortisation and subsequent accumulated impairment losses.

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

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

Asset class	Amortisation method and rate
Buildings	Straight-line 20 - 40 years
Plant and machinery	Straight-line 5 - 7 years
Motor vehicles	Straight-line 3 years
Fixtures and fittings	Straight-line 3 years

#### *Stocks*

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

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, stocks are assessed for impairment. If stocks are impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

#### *Taxation*

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the Company is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to non-depreciable property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset. In other cases, the measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.



# Pyronix Limited

## Notes to the financial statements (continued) For the year ended 31 December 2017

### 1. Accounting policies (continued)

#### *Taxation (continued)*

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

#### *Financial instruments (continued)*

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

##### *(i) Financial assets and liabilities*

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

- (a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.
- (b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.
- (c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).
- (d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.
- (e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.

# **Pyronix Limited**

## **Notes to the financial statements (continued)** **For the year ended 31 December 2017**

(f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of some hedging instruments, other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

### **(ii) Investments**

Investments in non-convertible preference shares and non-puttable ordinary or preference shares (where shares are publicly traded or their fair value is reliably measurable) are measured at fair value through profit or loss. Where fair value cannot be measured reliably, investments are measured at cost less impairment.

Investments in subsidiaries and associates are measured at cost less impairment. For investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value of the shares issued plus fair value of other consideration. Any premium is ignored.

### **(iii) Equity instruments**

Equity instruments issued by the Company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

### **Turnover**

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

### **Employee benefits**

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

### **Foreign currency**

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

# **Pyronix Limited**

## **Notes to the financial statements (continued)** **For the year ended 31 December 2017**

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

#### ***Leases***

##### ***The Company as lessee***

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

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

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

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

#### ***Borrowing costs***

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

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

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

#### ***Government grants***

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

#### ***Investments***

Investments in equity shares which are publicly traded or where the fair value can be measured reliably are initially measured at fair value, with changes in fair value recognised in profit or loss. Investments in equity shares which are not publicly traded and where fair value cannot be measured reliably are measured at cost less impairment.

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

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

# Pyronix Limited

## Notes to the financial statements (continued) For the year ended 31 December 2017

### 2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### *Critical judgements in applying the Company's accounting policies*

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

#### *Revenue recognition*

Turnover is stated net of VAT and trade discounts and is recognised when the significant risks and rewards are considered to have been transferred to the buyer. Turnover from the sale of goods is recognised when the goods are physically delivered to the customer. Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable. Where a contract has only been partially completed at the balance sheet date turnover represents the fair value of the service provided to date based on the stage of completion of the contract activity at the balance sheet date. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

#### *Key source of estimation uncertainty*

**Inventory valuation:** Inventory is carried in the financial statements at the lower of cost and net realisable value. Cost includes product purchase price and associated inward transportation costs. Net realisable value is based on estimated selling price less further costs incurred to disposal.

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

### 3. Turnover

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

# Pyronix Limited

## Notes to the financial statements (continued) For the year ended 31 December 2017

### 4. Finance costs (net)

	2017 £'000	2016 £'000
Interest on bank borrowings	36	92
Finance lease charges	7	12
Interest on group borrowings	81	1
	<u>124</u>	<u>105</u>

# Pyronix Limited

## Notes to the financial statements (continued) For the year ended 31 December 2017

### 5. (Loss)/profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting):

	2017 £'000	2016 £'000
Depreciation of owned assets (see note 11)	662	511
Depreciation of assets held under finance lease and hire purchase	83	94
Operating leases - land and buildings	111	21
Operating leases – other	100	74
Profit on sale of tangible fixed assets	(12)	(14)
Amortisation (see note 10)	-	22
Impairment of intangible assets (see note 10)	-	319
Foreign currency (gains)/losses	(441)	110
Cost of stock recognised as an expense	18,484	14,540

The impairment of intangible assets arose as a result of the decision to dissolve the company that the goodwill related to. Impairments and reversal of impairments of fixed assets and intangible assets are included in administrative expenses.

Fees payable to Deloitte LLP and its associates for audit services to the company were £24k. Fees payable for non-audit services to the company are not required to be disclosed because the consolidated financial statements of the parent company are required to disclose such fees on a consolidated basis.

### 6. Staff numbers and costs

The average monthly number of employees (including executive directors) was:

	2017 Number	2016 Number
Management	8	7
Production and sales	229	193
Administration and support	24	17
	261	217

Their aggregate remuneration comprised:

	2017 £'000	2016 £'000
Wages and salaries	6,670	6,110
Social security costs	646	580
Pension costs (see note 20)	369	328
	7,685	7,018

# Pyronix Limited

## Notes to the financial statements (continued) For the year ended 31 December 2017

### 7. Directors' remuneration and transactions

The directors' remuneration for the year was as follows:

Remuneration (including benefits in kind)  
Company contributions to money purchase pension schemes

**2017**  
**£'000**

**2016**  
**£'000**

606

574

197

173

803

747

**2017**  
**Number**

**2016**  
**Number**

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

Are accruing benefits under money purchase pension scheme

6

6

**2017**  
**£'000**

**2016**  
**£'000**

Remuneration of the highest paid director:

Remuneration  
Company contributions to defined benefit pension schemes

127

111

42

42

169

153

### 8. Tax on (loss)/profit on ordinary activities

The tax charge/(credit) comprises:

**2017**  
**£'000**

**2016**  
**£'000**

Current tax on (loss)/profit on ordinary activities

UK corporation tax

-

(115)

-

(115)

Adjustments in respect of prior years

UK corporation tax

(27)

262

**Total current tax**

(27)

147

Deferred tax

Origination and reversal of timing differences

(583)

(15)

**Total deferred tax (see note 17)**

(583)

(15)

**Total tax on (loss)/profit on ordinary activities**

(610)

132

# Pyronix Limited

## Notes to the financial statements (continued) For the year ended 31 December 2017

### 8. Tax on (loss)profit on ordinary activities (continued)

The average standard rate of tax applied to reported profit on ordinary activities is 19.25 per cent (2016: 20 per cent). As a result of the change in the UK corporation tax rate from 20% to 19% effective from 1 April 2017, substantively enacted on 26 October 2015, and from 19% to 17% effective from 1 April 2020, substantively enacted on 6 September 2016, deferred tax balances at the year-end have been measured at 17% (2016: 17%) being the rate at which timing differences are expected to reverse.

The difference between the total tax charge/(credit) shown above and the amount calculated by applying the average standard rate of UK corporation tax to the profit before tax is as follows:

	2017 £'000	2016 £'000
<b>(Loss)/Profit on ordinary activities before tax</b>	<u>(3,515)</u>	<u>1,256</u>
Tax on profit on ordinary activities at the average standard UK corporation tax rate of 19.25 per cent (2016: 20 per cent)	(676)	251
<i>Effects of:</i>		
Effect of expense not deductible in determining taxable profit (tax loss)	56	130
Tax increase (decrease) from effect of adjustment in research and development tax credit	(5)	(87)
Relief for research and development expenditure	-	(144)
Other differences	<u>(5)</u>	<u>(18)</u>
<b>Total tax (credit)/charge for the year</b>	<u>(610)</u>	<u>132</u>

There are tax losses carried forward of approximately £3,303k (2016: £129k).

### 9. Share-based payments

On 7 August 2015 the parent company granted an option to one of the company's employees to acquire 2,656 ordinary shares of £1 each in the parent company at an exercise price of £1 per share.

The option is exercisable in whole or in part on the earlier of the acquisition of the entire issued share capital of the parent company or the sale of the whole or substantially the whole of the business undertaking and assets of the Group or the listing of the parent company's shares on the LSE or other recognised investment exchange or the tenth anniversary of the grant.

There are no performance conditions attached to the share options.

On 19 May 2016 upon the acquisition of the company, all share options were exercised. This resulted in 2,656 ordinary shares of £1 each exercised at a price of £1 per share.



# Pyronix Limited

## Notes to the financial statements (continued) For the year ended 31 December 2017

### 10. Intangible fixed assets

	Goodwill £'000	Intellectual property £'000	Development costs £'000	Total £'000
<b>Cost</b>				
At 1 January 2017 and 31 December 2017	590	84	532	1,206
<b>Amortisation</b>				
At 1 January 2017 and 31 December 2017	590	84	532	1,206
<b>Net book value</b>				
At 31 December 2017	-	-	-	-
At 31 December 2016	-	-	-	-

The aggregate amount of research and development expenditure recognised as an expense during the year is £2,813k (2016: £1,934k).

### 11. Tangible fixed assets

	Land and buildings £'000	Plant and machinery £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
<b>Cost</b>					
At 1 January 2017	4,109	2,565	1,227	201	8,102
Additions	8	126	528	-	662
Disposals	-	(2)	(253)	(32)	(287)
Transfer	16	(240)	224	-	-
At 31 December 2017	4,133	2,449	1,726	169	8,477
<b>Depreciation</b>					
At 1 January 2017	321	1,764	824	187	3,096
Charge for the year	159	246	329	11	745
Disposals	-	-	(253)	(32)	(285)
Transfer	1	(106)	105	-	-
At 31 December 2017	481	1,904	1,005	166	3,556
<b>Net book value</b>					
At 31 December 2017	3,652	545	721	3	4,921
At 31 December 2016	3,788	801	403	14	5,006

Within land and buildings are long leasehold land and buildings with a cost and accumulated depreciation at the beginning of the year of £233,258 (2016: £233,258) and £49,051 (2016: £39,840) respectively. The depreciation charge for the year was £9,250 (2016: £9,210) giving accumulated depreciation at the end of the year of £58,301 (2016: £49,051).

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

# Pyronix Limited

## Notes to the financial statements (continued) For the year ended 31 December 2017

### 11. Tangible fixed assets (continued)

#### i. Assets held under finance leases

Leased assets included above:

	Land and buildings £'000	Plant and machinery £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Net book value					
At 31 December 2017	58	63	178	2	301
At 31 December 2016	66	103	13	12	194

### 12. Stocks

	2017 £'000	2016 £'000
Raw materials	3,177	1,049
Work in progress	1,207	862
Finished goods	6,978	3,680
	11,362	5,591

Stock is held at the lower of cost and recoverable amount. Book value is deemed to be equal to replacement cost.

### 13. Debtors

	2017 £'000	2016 £'000
Amounts falling due within one year:		
Trade debtors	4,618	5,184
Amounts due from group undertakings	1,492	-
Other receivables	710	104
Corporation tax	285	115
Deferred tax (note 16)	567	-
Other taxes	223	112
Prepayments and accrued income	74	340
	7,969	5,855

# Pyronix Limited

## Notes to the financial statements (continued) For the year ended 31 December 2017

### 14. Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Trade creditors	4,396	5,323
Bank loans and overdrafts	90	1,853
Obligations under finance lease and hire purchase contracts	119	114
Amounts due to group undertakings	14,125	3,621
Other taxes and social security	197	158
Other creditors	9	47
Accruals and deferred income	4,094	1,316
	<u>23,030</u>	<u>12,432</u>

The Company has granted a floating charge on its assets to secure bank overdrafts of £nil (2016: £50,356).

Accruals and deferred income due within one year include £174,182 (2016: £290,303) deferred grant.

### 15. Creditors: amounts falling due after more than one year

	2017 £'000	2016 £'000
Bank loans and overdrafts	3	92
Obligations under finance lease and hire purchase contracts	96	56
Accruals and deferred income	-	174
	<u>99</u>	<u>322</u>

Accruals and deferred income due after one year include £nil (2016: £174k) deferred grant.

The company has two bank loans.

The first loan is a chattel mortgage repayable in 11 monthly instalments of £7k. Interest is calculated at a fixed rate of 4.75%.

The second loan is a chattel mortgage repayable in 14 monthly instalments of £1k. Interest is calculated at a fixed rate of 4%.

Bank loans and borrowings are secured by a fixed and floating charge over the land and buildings, certain of the book debts, stock, plant and machinery, and also a life insurance policy in the name of a director.

Finance leases and hire purchase creditors are secured on the assets concerned.

The company has cross guarantees in place in respect of bank borrowings and overdrafts with two other group companies. At 31 December 2017 the contingent liability in respect of these borrowings amounted to £nil (2016: £nil).

# Pyronix Limited

## Notes to the financial statements (continued) For the year ended 31 December 2017

### 15. Creditors: amounts falling due after more than one year (continued)

Borrowings are repayable as follows:

	2017 £'000	2016 £'000
<b>Bank loans and overdrafts</b>		
Between one and two years	3	89
Between two and five years	-	3
	<hr/>	<hr/>
On demand or within one year	90	1,853
	<hr/>	<hr/>
	93	1,945
	<hr/>	<hr/>
<b>Finance leases</b>		
Between one and two years	96	56
Between two and five years	-	-
	<hr/>	<hr/>
On demand or within one year	119	114
	<hr/>	<hr/>
	215	170
	<hr/>	<hr/>
<b>Total borrowings including finance leases</b>		
Between one and two years	99	145
Between two and five years	-	3
	<hr/>	<hr/>
On demand or within one year	209	1,967
	<hr/>	<hr/>
	308	2,115
	<hr/>	<hr/>

### 16. Provisions for liabilities

	Deferred taxation £
At 1 January 2017 (liability)	50
Charged to profit and loss account	(594)
RDEC withholding	(34)
Adjustment for change in tax rate	11
	<hr/>
At 31 December 2017 (asset)	(567)
	<hr/>

# Pyronix Limited

## Notes to the financial statements (continued) For the year ended 31 December 2017

### 16. Provisions for liabilities (continued)

#### *Deferred tax*

Deferred tax is provided as follows:

	2017 £'000	2016 £'000
Difference between accumulated depreciation and amortisation and capital allowances	65	98
Other timing differences	(26)	(24)
R&D expenditure credit	(53)	-
Tax losses available	(553)	(24)
<b>Deferred tax (asset)/liability</b>	<b>(567)</b>	<b>50</b>

Deferred tax assets and liabilities are offset only where the Company has a legally enforceable right to do so and where the assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity or another entity within the Company.

### 17. Called-up share capital and reserves

	2017 £'000	2016 £'000
<b>Allotted, called up and fully paid shares</b>		
21,425 Ordinary shares of £1 each	21	21
12,051 Convertible 'A' ordinary shares of £1 each	12	12
	<b>33</b>	<b>33</b>

The ordinary shares carry no right to fixed income.

The Company's other reserves are as follows:

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

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

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

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

# Pyronix Limited

## Notes to the financial statements (continued) For the year ended 31 December 2017

### 18. Financial commitments

#### *Capital commitments*

Capital commitments are as follows:

	2017 £'000	2016 £'000
Contracted for but not provided for		
- other	59	308
	<u>59</u>	<u>308</u>

#### *Operating leases*

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2017 £'000		2016 £'000	
	Land and buildings	Other	Land and buildings	Other
- within one year	162	102	19	52
- between one and five years	548	113	-	48
- After five years	44	-	-	-
	<u>754</u>	<u>215</u>	<u>19</u>	<u>100</u>

### 19. Employee benefits

#### *Defined contribution schemes*

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £369,294 (2016: £328,326).

Contributions totalling £102,366 (2016: £45,424) were payable to the scheme at the end of the year and are included in creditors.

### 20. Subsequent events

There have been no subsequent events since the balance sheet date.

### 21. Related party transactions

The Company has taken advantage of the exemption granted in section 33 of Financial Reporting Standards not to disclose related party transactions with other wholly owned group companies.

There were no other related party transactions.

## **Pyronix Limited**

### **Notes to the financial statements (continued)** **For the year ended 31 December 2017**

#### **22. Controlling party**

The company's ultimate parent undertaking, controlling party and parent undertaking of the largest group in which the financial statements for the company are consolidated is Hangzhou Hikvision Digital Technology Co Ltd, incorporated in China. For financial information, reference is made to public shareholder information available from Hangzhou Hikvision Digital Technology Co Ltd.

Secure Holdings Limited registered in the UK is the parent undertaking of the smallest group in which the financial statements of the company are consolidated. Copies of the financial statements may be obtained from Companies House, Cardiff, CF4 3UZ.

The immediate parent is Secure Holdings Limited.