Company Registration No: 02755398

Rapiscan Systems Limited

Annual Report and Financial Statements

29 June 2019

Rapiscan Systems Limited

Annual Report and Financial Statements 2019

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Rapiscan Systems Limited

Annual Report and Financial Statements 2019

Officers and professional advisors

Directors
P D Lattin
A Mehra
A L Mixer
D J Venter

Secretary
Gravitas Company Secretarial Services Limited
One New Change
London
EC4M 9AF

Company Registration No. 02755398

Registered office
Gravitas Company Secretarial Services Limited
One New Change
London
EC4M 9AF

Bankers
HSBC plc
Global House
High Street
Crawley
West Sussex
RH10 1DL

Solicitors
K & L Gates LLP
110 Cannon Street
London
EC4N 6AR

Independent auditors
Mercer & Hole
72 London Road
St Albans
Hertfordshire
AL1 1NS

Strategic report

The Directors present their Strategic Report for the year ended 29 June 2019.

Business environment

The company operates in the growing market of security screening, with the increased alertness towards terrorist threats and border protection. The aviation market is highly regulated, whereas other areas such as border protection and ports have developing requirements and standards. The company's aim is to provide complete security screening solutions for its clients.

Strategy

The Company follows the group strategy as published by the ultimate holding company, OSI Systems Inc. OSI Systems Inc. files form 10-k with the U.S. Securities and Exchange Commission and from this, Item 1. Business, contains the group strategy.

The company's objective is to achieve sustainable growth through a combination of product development, market expansion into developing regions and complete security screening solutions.

The key elements to the company's growth strategy are:

Product development

The company will continue to develop products that meet the changing requirements for security screening, with innovative design and use of new technology and advances in imagery technology.

Market expansion

The company will continue to develop new distribution channels around the EMEA region whilst working with existing distributors to increase their product portfolio.

Complete security screening solutions

The company has looked to develop a complete range of solutions for the market covering people screening, checkpoint and hold baggage through to multiple levels of cargo and vehicle inspection, which it believes positions them well to meet all customer requirements.

Future outlook

The company believes that the growth in the security screening market will help the company achieve its strategy.

Principal business risks and uncertainties

The key business risks affecting the company are set out below:

Competitive Risk

The security business is a highly competitive market particularly around price and product performance. This applies pressure to our margins. Our sales team monitor product performance and competitor performance to ensure we can meet the customers' performance expectations.

Distribution Risk

The company goes to market through a network of distributors; these distributors also provide valuable market knowledge. The overall performance of distributors is monitored; this includes reviewing performance and financial stability. The company mitigates its risk by selecting distributors with the required knowledge and financial strength. These risks are reviewed and monitored by the board and appropriate actions to mitigate them are put in place.

Strategic report (continued)

Financial risk management

From the perspective of the company, the financial risks and uncertainties are integrated with those of the OSI Systems Inc. group to which it belongs and are not managed separately. Accordingly, the principal financial risks and uncertainties of OSI Systems Inc., are discussed on pages 23-48 Part I, Item 1A "Risk Factors" of the 2019 Form 10k published on 27 August 2019 which does not form part of this report.

Whilst some of the risks do not affect the company directly, the company is dependent on the group as its source of financing, and therefore these risks could have an effect on the company.
The company's operations expose it to a variety of financial risks that include the effects of changes in credit risk and liquidity risk.

Credit risk

Financial instruments that are potentially subject to concentrations of credit risk consist primarily of cash, cash equivalents and accounts receivable. The company restricts investments in cash equivalents to financial institutions with high credit standing. Credit risk on accounts receivable is minimised as a result of the large and diverse nature of the company's worldwide customer base. The company performs ongoing credit evaluations of its customers' financial condition and maintains provisions for potential credit losses.

Working Capital

The company's liquidity is dependent upon the group's ability to provide the necessary funds. The company maintains sufficient funds for its operations, and has support available from other group companies should this become necessary.

Foreign currency risk

The company has a large proportion of its contracts in US dollars and Euros. The exchange risk is managed by matching receivables with payables as the bulk of the purchases are also US dollar based. The company's exposure to exchange rate fluctuations is managed as part of OSI Systems Inc. group's overall policy on foreign currency. The company has not entered into any forward exchange contracts.

Interest risk

The company has loans from other group undertakings. The company's borrowings are at agreed rates of interest which are fixed for the duration of the loans.

Key performance indicators (KPIs)

The companies KPIs relate to maintaining margins whilst achieving sustainable growth.

	2019	2018	Definition, method of calculation and analysis
Total sales growth %	31%	33%	Year on year total sales growth. Total sales divided by previous year's total sales. The increase in sales was mostly due to RTT Explosive Detection Systems (EDS).
External export sales growth %	50%	32%	Year on year external export sales increase. External export sales increase divided by the previous year's external export sales. The increase was due to RTT Explosive Detection Systems.
Gross margin %	32%	31%	This is calculated by taking the gross profit and dividing by the revenue and then multiplying by 100 to give a percentage. This results in giving the gross profit as a percentage of revenue. The margins have improved this year due to the mix of products sold resulting from increased volume and activity.

Brexit impact

Following the referendum on 23 June 2016, the United Kingdom left the European Union (EU) on 31 January 2020. The terms of a trade agreement which may come into effect on 31 December 2020 are not known and therefore it is difficult to evaluate all the potential implications to the company's trade, customers and suppliers and the wider economy.

Based on the information currently available, the directors' assessed that the consequences of this to the company are not expected to be significant as the company's revenues are generated all around the globe, key suppliers are based outside of the EU, and in accordance with Commission Regulation (EC) 2261/98 of 26 October 1998, the majority of the products sold by the company into the EU would attract import duty at zero percent.

COVID-19 risk

In recent weeks COVID-19 has been dominating the world social and economic climate. The company continues to operate in an environment of uncertainty associated with the current situation. The directors anticipate that the impact of COVID-19 may have further implications in relation to operations if governments extend current restrictions on movement of people such that manufacturing, and the provision of maintenance services are severely restricted. The directors are continuously monitoring the situation and are confident that they have the resources to deal with the changing circumstances for the foreseeable future.

Approved by the Board of Directors on 19th March 2020
and signed on behalf of the Board

A L Mixer
Director

Rapiscan Systems Limited

Annual Report and Financial Statements 2019

Directors' report

Principal activities
The company is principally engaged in the manufacture and distribution of equipment for the purposes of baggage and personnel security screening and cargo inspection.

Results and dividends
The profit for the year after taxation was USD 21,151k (2018: USD 9,507k). No dividends were paid during the year.

The Directors are confident about the future prospects of the company. The company's statement of financial position is set out on page 14.

Post balance sheet events
There are no post balance sheet events to report.

Going concern
The company's business activities, together with the factors likely to affect its future development and performance are set out in the Business Review. The company has considerable financial resources together with backlog orders from customers across different geographical areas. As a consequence, the directors believe that the company is well placed to manage its business risks successfully. Thus, the company continues to adopt the going concern basis in preparing these accounts.

Research and development
The company will continue its development of products in line with regulatory and customer requirements with the continued advances of technology in X-ray imagery.

Branches outside the UK
The company has a branches in Norway, Turkmenistan and Taiwan.

Equal opportunity of employment
The company is committed to eliminating discrimination amongst our workforce. The company objective is to create a working environment in which there is no unlawful discrimination and all decisions are based on merit.

Recruitment and selection of employees
The company aims to ensure that job requirements and job selection criteria are clear and based only on what is required to get the job done effectively. The company will avoid making stereotypical assumptions based on protected characteristics about who is able to do a particular job.

The company aims to ensure that no job applicant is placed at a disadvantage by practices or requirements which disproportionately disadvantage protected groups and which are not justified by the demands of the job.

Promotion, training and appraisals of employees
Promotion and training decisions are made on the basis of merit. The company will not unlawfully discriminate against any employee in making promotion or training decisions. The company believes all employees should have an equal opportunity to progress and develop.

Communication with employees
The company makes use of a company intranet site, email notices and noticeboards. There is a regular all-management meeting, and managers are encouraged to feed back information from these meetings to their teams.

Disabled Employees
The company's policy in respect of disabled persons is that their applications for employment are always fully and fairly considered, bearing in mind the aptitudes and abilities of the applicant concerned. In the event of a member of staff becoming disabled, every effort is made to ensure that employment with the company continues and where necessary, appropriate training is arranged. Career development and promotion of disabled persons should, as far as possible, be identical with that of all other employees in similar position.

Directors' report (continued)

Disclosure of information to auditor

The Directors, at the time when this Directors' report is approved, have confirmed that:

a) The Directors have taken all the necessary steps to make themselves aware, as Directors, of any relevant information and to establish that the company's auditor is aware of that information.

b) As far as the Directors are aware, there is no relevant audit information of which the company's auditor is unaware.

Directors' indemnity

The company's Articles of Association provide, subject to the provisions of UK legislation, an indemnity for directors and officers of the company in respect of liabilities they may incur in the discharge of their duties or in the exercise of their powers, including any liabilities relating to the defence of any proceedings brought against them which relate to anything done or omitted, or alleged to have been done or omitted, by them as officers or employees of the company. Appropriate Directors' and officers' liability insurance cover is in place in respect of all of the company's Directors.

Directors and their interests

The Directors who served during the year or were directors at the time of the signing of the accounts were as follows:

T S Ghattaure - resigned 1st March 2019

P D Lattin - appointed 1st March 2019

A Mehra

A L Mixer

M J Stas - resigned 30th June 2019

D J Venter - appointed 1st July 2019

P C Williamson - resigned 1st February 2020

No Director had any interest in the shares of the company or fellow UK group undertakings at either the beginning or end of the year. As a wholly owned subsidiary of an overseas parent, which is a body corporate incorporated outside Great Britain, the Directors are not required to notify the company of interests in shares of that or any other body corporate incorporated outside Great Britain.

Matters covered in the strategic report

As permitted by paragraph 1A of schedule 7 to the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008, certain matters which are required to be disclosed in the Report of the Directors have been omitted as they are included in the Strategic Report on page 3. These matters relate to the review and analysis of the business and the principal risks and uncertainties.

Auditor

Mercer & Hole have indicated their willingness to be reappointed as auditor for another term and appropriate arrangements have been put in place for them to be deemed reappointed at the end of the general meeting at which the financial statements are laid.

Approved by the Board of Directors on 19th March 2020

and signed on behalf of the Board

A L Mixer

Director

Statement of Directors' responsibilities in respect of the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The financial reporting standard applicable in the UK & 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 estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Independent auditor's report

To the members of Rapiscan Systems Limited

Opinion

We have audited the financial statements of Rapiscan Systems Limited (the 'company') for the year ended 29 June 2019 which comprise the Income statement, the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 29 June 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

The impact of uncertainties due to COVID-19

Uncertainties related to the effect of COVID-19 are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance. At the date of this report the effects of COVID-19 are unknown and whilst we have reviewed the directors' assessment of the company's future prospects and performance in light of recent developments, no audit should be expected to predict the unknown.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the 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.

Independent auditor's report

To the members of Rapiscan Systems Limited (continued)

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

Independent auditor's report

To the members of Rapiscan Systems Limited (continued)

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 8, 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 Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Date: 19 March 2020

Ross Lane (Senior Statutory Auditor)
for and on behalf of Mercer & Hole
Chartered Accountants and Statutory Auditor
72 London Road
St Albans
Hertfordshire
AL1 1NS

Income statement
Year ended 29 June 2019

	Note	2019	2018
		USD 000	USD 000
Revenue	3	289,339	221,612
Cost of sales		(195,876)	(153,078)
Gross profit		93,463	68,534
Administrative expenses		(66,445)	(56,319)
Other income	4	358	225
Profit on ordinary activities before finance costs and taxation	5	27,376	12,440
Interest receivable and similar income	6	439	664
Interest payable and similar charges	6	(1,691)	(1,238)
Profit on ordinary activities before taxation		26,124	11,866
Tax on profit on ordinary activities	9	(4,973)	(2,359)
Profit for the financial year transferred to reserves		21,151	9,507

All activities are considered to be continuing.

The notes on pages 16 - 29 form part of these financial statements.

Rapiscan Systems Limited

Annual Report and Financial Statements 2019

Statement of comprehensive income
At 29 June 2019

	Note	2019 USD 000	2019 USD 000	2018 USD 000	2018 USD 000
Profit attributable to the shareholders of the company			21,151		9,507
Pension asset gains arising during the year		44		240	
Pension liability gains arising during the year		147		48	
Prior period adjustments		(33)		-	
Deferred tax liability on pension funded surplus		21		(110)	
Currency translation differences on pension schemes		6		(3)	
Re-measurement of net defined benefit obligation			185		175
Foreign currency translation arising from acquisition of "ETD" net assets			-		(41)
Other comprehensive income			185		134
Total comprehensive income for the financial year			21,336		9,641

The notes on pages 16 - 29 form part of these financial statements.

Statement of financial position
At 29 June 2019

	Note	2019 USD 000	2019 USD 000	2018 USD 000	2018 USD 000
Non current assets					
Fixed assets					
Intangible assets	10		12,437		13,970
Property, plant and equipment	11		14,857		13,768
Financial assets	12		90		90
			27,384		27,828
Current assets					
Inventory	13	83,748		101,379	
Accounts receivable amounts falling due within one year	14	159,885		108,210	
Cash and cash equivalents		12,099		15,828	
		255,732		225,417	
Accounts receivable amounts falling due in more than one year	15	12,746		12,306	
		268,478		237,723	
Accounts payable falling due within one year	16	(117,775)		(111,437)	
Net current assets			150,703		126,286
Total assets less current liabilities			178,087		154,114
Accounts payable falling due after one year	17		(14,199)		(12,690)
Provisions for liabilities and charges	18		(10,379)		(9,580)
Net assets excluding pension			153,509		131,844
Pension asset	22		1,033		1,065
Net assets including pension asset			154,542		132,909
Capital & reserves					
Called up share capital	19		17,416		17,416
Capital Contribution			14,162		13,865
Currency translation reserve			(5,813)		(5,813)
Retained earnings			128,777		107,441
Total shareholders' funds - equity			154,542		132,909

The notes on pages 16 - 29 form part of these financial statements.

These financial statements were approved by the Board of Directors on 19th March 2020

Signed on behalf of the Board of Directors

A L Mixer

Director

Statement of changes in equity
Year ended 29 June 2019

	Called up share capital	Capital Contribution	Currency translation reserve	Retained earnings	Shareholders Equity
	USD 000	USD 000	USD 000	USD 000	USD 000
At 30 June 2018	17,416	13,865	(5,813)	107,441	132,909
Share Options	-	297	-	-	297
	17,416	**14,162**	**(5,813)**	**107,441**	**133,206**
Profit for the year	-	-	-	21,151	21,151
Other comprehensive income	-	-	-	185	185
Total comprehensive income for the year	-	-	-	**21,336**	**21,336**
At 29 June 2019	**17,416**	**14,162**	**(5,813)**	**128,777**	**154,542**

	Called up share capital	Capital Contribution	Currency translation reserve	Retained earnings	Shareholders Equity
	USD 000	USD 000	USD 000	USD 000	USD 000
At 30 June 2017	17,416	-	(5,772)	97,759	109,403
Capital contribution	-	13,865	-	-	13,865
	17,416	**13,865**	**(5,772)**	**97,759**	**123,268**
Profit for the year	-	-	-	9,507	9,507
Other comprehensive income	-	-	(41)	175	134
Total comprehensive income for the year	-	-	**(41)**	**9,682**	**9,641**
At 29 June 2018	**17,416**	**13,865**	**(5,813)**	**107,441**	**132,909**

Capital contribution

A capital contribution was provided by the company's holding company, OSI Holdings Ltd, to enable the company to purchase MD UK Trace Holding Ltd. This was upon the transfer of the ownership of MD UK Trace Holding Ltd from OSI Holdings Ltd (Note 10). In particular the capital contribution was used to purchase the goodwill related to MD UK Trace Holding Ltd. Share Options and Restricted Share Units, in the company's ultimate parent company's share capital, awarded to employees, are accounted for as a capital contribution.

Called up share capital

This account represents the nominal value of the shares that have been issued.

Currency translation reserve

This includes foreign exchange differences as a result of change in functional currency from GBP to USD in 2014.

Retained earnings

This reserve represents cumulative profits or losses.

The notes on pages 16 - 29 form part of these financial statements.

Notes to the financial statements
Year ended 29 June 2019

Rapiscan Systems Limited is a company limited by shares and incorporated and domiciled in England and Wales. The registered office is disclosed on page 3 and its principal place of business is located at X Ray House, 8 Bonehurst Road, Salfords, Surrey, RH1 5GG, UK.

1 Basis of preparation and statement of compliance

The financial statements have been prepared on the going concern basis under the historical cost convention, and in compliance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Ireland," and in accordance with the Companies Act 2006.

2 Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

Going concern

The company's business activities, together with the factors likely to affect its future development and performance are set out in the strategic report. The company has considerable financial resources together with backlog orders from customers across different geographical areas. As a consequence, the directors believe that the company is well placed to manage its business risks successfully. Thus, the company continues to adopt the going concern basis in preparing these financial statements.

COVID-19 risk

In recent weeks COVID-19 has been dominating the world social and economic climate. The company continues to operate in an environment of uncertainty associated with the current situation. The directors anticipate that the impact of COVID-19 may have further implications in relation to operations if governments extend current restrictions on movement of people such that manufacturing, and the provision of maintenance services are severely restricted. The directors are continuously monitoring the situation and are confident that they have the resources to deal with the changing circumstances for the foreseeable future.

Consolidated financial statements

The company is exempt from the requirement to prepare consolidated financial statements under Sections 399 to 402 of the Companies Act 2006. Consolidated financial statements are prepared by OSI Systems Inc., the ultimate parent undertaking, incorporated in the USA and are available from the address set out in note 23.

Reduced disclosure for subsidiaries

The company is a qualifying entity for the purposes of disclosure exemptions under FRS 102. Rapiscan Systems Limited's financial statements are consolidated into the financial statements of OSI Systems Inc., the ultimate parent undertaking, incorporated in the USA and copies are publicly available from the address set out in note 23.

The company has applied the following disclosure exemptions under FRS 102 on the basis that equivalent disclosures are included in the consolidated financial statements of OSI Systems Inc.:

paragraph 1.12 (a) (iv) reconciliation of the number of outstanding shares at the beginning and end of the year
paragraph 1.12 (b) requirement to prepare a statement of cash flows
paragraph 1.12 (c) exemption relating to the basis of measurement and disclosure for financial assets and liabilities
paragraph 1.12 (d) (i) exemption relating to certain disclosure requirements of section 26, share based payments
paragraph 1.12 (e) exemption from disclosure of key management personnel compensation in total.

Revenue

Revenue is measured at the fair value of the consideration received or receivable, and represents the amount received or receivable for goods supplied or services rendered, net of any actual returns, discounts and rebates allowed by the company and value added taxes.

The company recognises revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the company retains no continuing involvement or control over the goods; (c) the amount of revenue can be measured reliably; and (d) it is probable that future economic benefits will flow to the company.

Functional Currency

The functional and presentational currency of Rapiscan Systems Limited is considered to be United States Dollars (USD) because that is the currency of the primary economic environment in which the company operates.

Notes to the financial statements (continued)
Year ended 29 June 2019

2 Accounting policies (continued)

Foreign currencies

Trading transactions denominated in foreign currencies are translated into USD at the exchange rate ruling when the transaction was entered into. Monetary assets and liabilities denominated in foreign currencies are translated into USD at the exchange rate ruling at the statement of financial position date. All exchange gains or losses are accounted for in the income statement. These financial statements have been prepared in USD in accordance with applicable accounting standards on the basis that USD is the functional currency.

Research and development

Research and development expenditure is charged to the income statement when it is incurred.

Government grants

Government grants are recognised on an accrual model basis. The company receives government grants in the form of the Research and Development Expenditure Credit (RDEC). The company does not benefit from any other forms of government assistance.

Goodwill

Goodwill arising on the acquisition of new businesses representing the difference between fair value of consideration given and fair value of assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life which is 10 years.

Patents

Patents are measured at cost. Amortisation is calculated to write off the cost in equal instalments over their estimated useful lives which is deemed to be twenty years.

Computer software

Computer software is measured at cost. Amortisation is calculated to write off the cost in equal instalments over their estimated useful lives which is deemed to be between one and four years.

Financial assets

Investments in subsidiaries are stated at cost, less accumulated impairment losses.

Tangible assets

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to working condition for its intended use, dismantling and restoration costs. Borrowing costs are not capitalised.

a) Leasehold improvements, land and buildings

Leasehold improvements, land and buildings are stated at cost less accumulated depreciation and accumulated impairment losses, as the properties are held for the purposes of use in production, supplying goods and services, and for administration.

b) Motor vehicles, plant machinery, fittings & equipment, computer hardware

Motor vehicles, plant machinery, fittings & equipment, computer hardware are stated at cost less accumulated depreciation and accumulated impairment losses.

c) Depreciation

Land is not depreciated. Depreciation is provided on tangible fixed assets on a straight line basis from the time they are available for use, so as to write off their historical costs over their estimated useful lives, as follows:

Leasehold improvements	5 - 10 years
Freehold & long leasehold buildings	20 years
Motor vehicles	1 - 4 years
Plant and machinery	1 - 5 years
Fittings and equipment	3 - 10 years
Computer hardware	1 - 4 years

d) Construction in progress

Assets in the course of construction are stated at cost. These assets are not depreciated until they are available for use.

Leased assets

Rentals applicable to operating leases, under which substantially all the benefits and risks of ownership remain with the lessor, are charged to the income statement on a straight line basis as incurred.

2 Accounting policies (continued)

Inventory and work in progress

Inventory comprises finished goods, raw materials and consumable items. They are stated at the lower of cost and estimated net realisable value, after provision for obsolescence. Work in progress is stated at cost or net realisable value, whichever is the lower. Cost includes materials at purchase price, labour and appropriate production related overheads.

Hire and demonstration equipment is amortised, on a straight line basis, so as to write off the cost of the equipment over their estimated useful lives. The amortisation rates used are:

Hire and demonstration stock 3 years

Impairment of assets

At each reporting date assets, including goodwill, are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in the income statement. Any impairment loss recognised for all assets, including goodwill, shall be reversed in a subsequent period if, and only if, the reasons for the impairment have ceased to exist.

Taxation and deferred taxation

The charge for taxation is based on the results for the period and is calculated with reference to the tax rates enacted or substantially enacted by the end of the period. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the statement of financial position date.

Employee benefits

(i) Short term benefits

All short term benefits, including holiday pay and similar non-monetary benefits are recognised as an expense in the period in which the service is received.

(ii) Pension costs

a) Defined contribution scheme:

The company operates a defined contribution scheme for its employees. The company pays fixed contributions into a separate entity. Once the contributions have been paid, the company has no further payment obligations. The contributions are recognised as an expense when they fall due. Amounts not paid are shown in accruals in the statement of financial position. The assets are held separately from the company in independently administered funds.

b) Defined benefit scheme:

The company operates a defined benefit scheme for certain employees. The scheme is closed to future accrual. The company has an obligation to provide each qualifying employee with an amount every month throughout their period of retirement. That amount is dependent upon several qualifying factors, including age, length of service and remuneration.

The pension asset recognised in the statement of financial position is the fair value of the scheme assets less the present value of the defined benefit obligation at the reporting date. The company intends to recover the surplus through reduced contributions in the future.

The defined benefit obligation is measured using the projected unit credit method. The company engages independent actuaries to calculate the obligation approximately every three years. In the intervening years, the actuaries approximate the liabilities based on their estimates of changes in market conditions and employee membership of the scheme. The present value is determined by discounting the estimated future payments using market yields on AA-rated corporate bonds that have terms approximating the estimated period of the future payments.

2 Accounting policies (continued)

b) Defined benefit scheme (continued):

The fair value of the scheme assets are measured at market rate bid values.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, alongside the return on scheme assets, less amounts included in net interest, together with currency translation changes, are charged or credited to other comprehensive income, and disclosed as "Re-measurement of net defined benefit obligation."

Interest income on scheme assets is included in finance income, and interest expense on scheme obligations is included in interest payable in the income statement.

(iii) Share-based employee compensation plans

The company's ultimate parent company, OSI Systems Inc., operates share-based employee compensation plans in which certain of the company's employees and directors are eligible to participate. The company measures and recognises the share based payment expense as an allocation of cost to the group.

(iv) Bonus plans

The company operates various bonus plans for its employees. An expense is recognised in the income statement when the company has a legal or constructive obligation to make payments under these bonus plans and a reliable estimate of the obligation can be made.

Provisions for liabilities and charges

A provision is recognised when the company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. These provisions are not discounted.

Restructuring provisions are recognised when the company has a detailed, formal plan for the restructuring and has raised a valid expectation in those affected by either starting to implement the plan or announcing its main features to those affected, and has therefore a legal or constructive obligation to carry out the restructuring.

Financial instruments
a) Basic financial assets

Basic financial assets, including trade and other receivables, cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If the asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the income statement.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying value does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the income statement.

Financial assets are derecognised when a) the contractual rights to the cash flows from the asset expire or are settled, or b) substantially all risks and rewards of ownership of the asset are transferred to another party or c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

2 Accounting policies (continued)

Financial instruments (continued)

b) Basic financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, and loans from fellow group undertakings are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as accounts payable due within one year if payment is due within one year or less. If not, they are presented as accounts payable due in more than one year. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

c) Offsetting

Financial assets and liabilities are offset and net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Critical accounting judgements and key sources of uncertainty

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

i) Deferred tax asset / liability

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference. See note 9 for the carrying amount of deferred tax asset / liability.

ii) Impairment of patents

The value of patents is dependent on the technological advances and discoveries created by the company being able to provide the solutions to security needs as required by customers and legislation. These circumstances are assessed annually by management, and patent values are impaired when necessary to reflect expectations regarding technological changes, future investment and economic conditions in the market. See note 10 for the carrying amount of patents.

iii) Inventory provisioning

The company's products are subject to changes in customer demands, legislation, technology and market conditions. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. See note 13 for the net carrying amount of the inventory after taking into account the associated provision of USD 24,026k (2018: USD 23,669k)

(iv) Impairment of accounts receivable

The company makes an estimate of the recoverable value of trade and other accounts receivable. When assessing impairment of trade and other accounts receivable, management considers factors including the current credit rating, ageing profile of accounts receivable and historical experience. See notes 14 and 15 for the net carrying amounts of accounts receivable after taking into account the associated impairment provision of USD 4,236k (2018: USD 3,319k)

Critical accounting judgements and key sources of uncertainty (continued)

v) Provision for warranty

The company offers its customers warranties on many of the products that it sells. These warranties typically provide for repairs and maintenance of the products if problems arise during a specified time period after original shipment. The company records provisions for estimated warranty expenses concurrently with revenue recognition. Management periodically adjust this provision based on historical experience and anticipated expenses. The company charges actual expenses of repairs under warranty, including parts and labour, to this provision when incurred. See note 18 for the provision for warranty at the year end.

(vi) Defined benefit pension scheme

The company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 22 for the disclosures relating to the defined benefit pension scheme.

(vii) Goodwill

Goodwill represents the excess purchase price over the fair value of the net assets acquired in business combinations. The carrying value of goodwill is annually tested for impairment. The goodwill is amortised consistently over time if this is deemed a fair method of reflecting it's impairment. The goodwill acquired during the year, which is referred to in note 10, is amortised over ten years.

3 Analysis of revenue by geographical destination comprises:

	2019 USD 000	2018 USD 000
External sales:		
United Kingdom	19,862	36,248
Americas	4,263	8,046
Europe (excluding UK)	96,366	72,636
Middle East	50,629	69,372
Africa	62,339	4,654
Asia Pacific	25,559	5,187
Total external sales	259,018	196,143
Sales to group companies:-		
(Australia, Malaysia, Middle East, Singapore and United States)	30,321	25,469
	289,339	221,612

There is only one class of business, namely the manufacture, distribution and rental of equipment for the purposes of cargo baggage and personnel security screening. The equipment rental revenue for 2019 was USD 54k (2018: USD 211k)

4 Other Income

	2019 USD 000	2018 USD 000
Government grants - RDEC	358	225

There are no unfulfilled conditions or other contingencies attached to grants recognised as income.

5 Profit on ordinary activities before finance costs and taxation

	Note	2019 USD 000	2018 USD 000
Rentals under operating leases:			
Buildings		1,142	1,144
Plant and machinery		690	660
Depreciation on property, plant and equipment	11	2,101	2,436
Loss / (gain) on disposal of fixed assets		8	(1)
Amortisation of intangible assets	10	1,549	889
Auditors' remuneration:			
Audit fees		85	101
Taxation services		-	-
Amortisation of hire and demonstration stock		1,226	1,071
Research and development		5,854	5,373
Net exchange (gain) / loss		(46)	67

6 Interest receivable and payable

	2019 USD 000	2018 USD 000
Intercompany interest receivable	287	516
Other interest receivable	152	148
Interest receivable and similar income	439	664
Intercompany interest payable	(514)	(152)
Other interest payable and similar charges	(1,177)	(1,086)
Interest payable and similar charges	(1,691)	(1,238)

7 Information regarding directors and employees

a) Employees (including directors)	2019 USD 000	2018 USD 000
Staff costs during the year comprise:		
Wages and salaries	29,314	28,281
Share based payments	55	227
Social security costs	2,939	2,810
Pension service cost	1,019	747
Redundancy and other costs	110	-
	33,437	32,065

The average monthly number of employees of the company during the year was:	2019 No.	2018 No.
Selling and distribution	31	38
Production and service	338	262
Administration and other	65	124
	434	424

b) Directors	2019 USD 000	2018 USD 000
Aggregate remuneration in respect of qualifying services	733	531
Aggregate amounts received under long term incentive plans	118	21

Four directors received remuneration from the company during the year. The other two directors were paid by OSI Systems Inc. in their capacity as directors of that company and disclosed within the financial statements of OSI Systems Inc.

7 Information regarding directors and employees (continued)

b) Directors (continued)

	2019	2018
	No.	No.
Number of directors who received restricted shares and share options in the ultimate parent company in respect of qualifying services	2	2
Number of directors who exercised share options in the ultimate parent company	3	2
Number of directors accruing benefits under defined contribution schemes	3	2

	2019	2018
In respect of the highest paid director:	USD 000	USD 000
Aggregate remuneration	505	246
Accrued defined contribution pension at the end of the year	3	7

The highest paid director did receive shares in the ultimate parent company under the group's long term incentive plan during the year and did exercise stock options.

8 Share options plans and restricted share units

OSI Systems Inc., the ultimate parent company, ("OSI"), has granted share options and restricted stock units to certain employees and directors of Rapiscan Systems Limited. As of 29 June 2019, OSI maintained two share-based employee compensation plans (the "OSI Plans"): the 2012 Incentive Award Plan ("2012 Plan") and the Amended and Restated 2006 Equity Participation Plan ("2006 Plan"). Upon shareholder approval of the 2012 Plan, OSI ceased to make grants under the 2006 plan.

Under the 2012 Plan, OSI is authorised to grant awards in the form of incentive options, nonqualified options, restricted stock awards, stock appreciation rights, RSUs, performance shares and stock bonuses, amongst other forms of equity, to qualified employees, directors and consultants. The method of settlement for qualifying employees, directors and consultants is the award of shares in OSI Systems Inc.

Under the OSI Plans, the exercise price of nonqualified options and incentive stock options may not be less than the fair market value of OSI's Common Stock on the date of grant. The exercise price of nonqualified options and incentive stock options granted to individuals who own more than 10% of OSI's voting stock may not be less than 110% of the fair market value of OSI's Common Stock on the date of the grant.

Stock options granted under the OSI Plans typically vest over three years based on continued service. Restricted stock and RSUs typically vest over three to four years based on continued service. Certain restricted stock awards granted to senior management vest based on the achievement of pre-established performance goals. The award made during the year was immaterial.

9 Tax on profit on ordinary activities

(a) Analysis of charge in period

	2019	2018
	USD 000	USD 000
Current tax:		
UK corporation tax on profit for the year	5,228	2,698
Adjustments in respect of previous periods	(968)	(15)
Current tax charge for period	4,260	2,683
Deferred tax:		
Origination and reversal of timing differences	(324)	(324)
Adjustments in respect of previous periods	1,037	-
Change in tax rates	-	-
Total deferred tax	713	(324)
Tax charge on profit on ordinary activities (see (b) below)	4,973	2,359

9 Tax on profit on ordinary activities (continued)

(b) Factors affecting tax charge for period

The tax assessment for the year is higher than (2018: higher) the standard rate of corporation tax in the UK for 2019 of 19% (2018: 19%)

The differences are explained below:

	2019 USD 000	2018 USD 000
Profit on ordinary activities before tax	26,124	11,866
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	4,964	2,255
Effects of:		
Expenses not deductible for tax purposes	(90)	219
Other permanent differences	-	(4)
Patent box restriction on losses	(353)	(95)
Adjustments to tax charge in respect of previous periods	456	(16)
Changes in tax rates	-	-
Pension	(10)	-
Origination and reversal of timing differences	6	
Tax charge for period (see (a) above)	4,973	2,359

(c) Deferred tax

The deferred tax in the statement of financial position is as follows:

	2019	2018
Included in accounts payable amounts due in more than one year (note 17)	-	(272)
Included in accounts receivable amounts due in more than one year (note 15)	439	-
Decelerated depreciation	88	125
Defined benefit pension scheme surplus	(176)	(181)
Other timing differences	527	(216)
Total recognised deferred tax asset / (liability)	439	(272)
Deferred tax liability at 30 June	(272)	(544)
Deferred tax expense included in the income statement for the year	706	324
Deferred tax expense relating to the statement of comprehensive income	5	(52)
Deferred tax asset / (liability) at 29 June	439	(272)

(d) Factors affecting future tax charges

The Finance Act 2015 reduces the rate of corporation tax from 19% to 17% from 1 April 2020. Deferred tax has been calculated at 17% which is the corporation tax rate applicable from 1 April 2020, when timing differences are expected to reverse.

10 Intangible assets

	Goodwill USD 000	Patents USD 000	Computer software USD 000	Total USD 000
Cost				
At 30 June 2018	14,856	134	500	15,490
Additions	-	(1)	17	16
Disposals	-	-	(62)	(62)
At 29 June 2019	14,856	133	455	15,444
Amortisation				
At 30 June 2018	(1,101)	(61)	(358)	(1,520)
Provided during the year	(1,452)	(7)	(90)	(1,549)
Disposals	-	-	62	62
At 29 June 2019	(2,553)	(68)	(386)	(3,007)
Net book value				
At 29 June 2019	12,303	65	69	12,437
At 29 June 2018	13,755	73	142	13,970

10 Intangible assets (continued)

The amortisation expense is included in the administrative expenses in the Income statement in both 2019 and 2018.

On 18 December 2017, OSI Holdings Limited, the immediate parent undertaking transferred the ownership of MD UK Trace Holding Limited to the Company through the capital contribution. On the same day, the net assets were hived-up to the Company. Refer to note 12, financial assets, and the Statement of Changes in Equity, page 15, for further details.

The cost of the Company's Investment in subsidiary undertaking reflected the underlying fair value of the entity that was hived up. As a result the, the cost of the investment was transferred to goodwill and the Company also initially recorded a net liability of $13,865K in its books with the corresponding entry being recorded as an increase to the goodwill. The net liability $13,865K was later treated as a capital contribution and moved to reserves.

The goodwill is largely attributable to expected growth, intellectual capital and the assembled workforce of the ETD business in the EMEA region. The associated goodwill is being amortised over ten years.

As at the year end, in line with the accounting policy, the Company assessed the goodwill for any indicators of impairment and concluded that no indicators exists that requires the company to assess the goodwill for impairment, apart from the amortisation over ten years. Therefore the carrying value of the goodwill as at year end is considered to be the recoverable amount.

11 Property, plant and equipment

	Leasehold improvements	Land & buildings	Motor vehicles	Plant, machinery, fittings & equipment	Computer hardware	Total
	USD 000	USD 000	USD 000	USD 000	USD 000	USD 000
Cost						
At 30 June 2018	595	12,621	11	10,016	891	24,134
Transfer	-	-	-	7	(7)	-
Additions	340	30	-	2,387	441	3,198
Disposals	-	(4)	(1)	(923)	(52)	(980)
At 29 June 2019	935	12,647	10	11,487	1,273	26,352
Accumulated depreciation						
At 30 June 2018	(262)	(3,369)	(9)	(6,150)	(576)	(10,366)
Transfer	-	-	-	(7)	7	-
Charge for the year	(116)	(445)	(1)	(1,374)	(165)	(2,101)
Disposals	-	2	-	918	52	972
At 29 June 2019	(378)	(3,812)	(10)	(6,613)	(682)	(11,495)
Net book value						
At 29 June 2019	557	8,835	-	4,874	591	14,857
At 29 June 2018	333	9,252	2	3,866	315	13,768

The depreciation expense is included in the administrative expenses in the Income statement in both 2019 and 2018.

12 Financial assets

	Shares in subsidiary 2019	Shares in subsidiary 2018
	USD 000	USD 000
Cost		
Brought forward at 30 June	90	90
Additions	-	13,865
Transferred to Goodwill (Note 10)	-	(13,865)
Carried forward at 29 June	90	90
Impairment	-	-
Net book value	90	90

On 4 November 2014, the company set up a subsidiary, ES Rapiscan Systems Turkmen in Turkmenistan, subscribing for USD 90,000 for a 90% share of the company. The remaining 10% was subscribed to by CXR Limited, a fellow group company. The principal activities of ES Rapiscan Systems Turkmen is provision of service, maintenance and support in relation to Rapiscan Systems Limited products.

On 18 December 2017 the share capital of MD UK Trace Holding Limited was acquired and financed by a capital contribution from OSI Holdings Ltd.

13 Inventory

	2019	2018
	USD 000	USD 000
Raw materials and consumables	38,433	50,864
Work-in-progress	25,251	39,915
Hire and demonstration equipment	3,222	1,882
Finished goods and goods for resale	16,842	8,718
	83,748	101,379

Inventory expenses during the year were USD 166,780k (2018: USD 126,739k) and amounts written off as inventory impairment during the year were USD 3,114k (2018: 5,269k)

14 Accounts receivable amounts falling due within one year

	2019	2018
	USD 000	USD 000
Trade receivables	65,815	46,831
Amounts owed by group undertakings	67,708	53,740
Other receivables	8,834	5,278
Prepayments and accrued income	17,528	2,361
	159,885	108,210

15 Accounts receivable amounts due in more than one year

	2019	2018
	USD 000	USD 000
Amounts owed by group undertakings	12,307	12,306
Deferred tax asset	439	-
	12,746	12,306

Amounts owed by group undertakings are unsecured, with a date of repayment of September 2025, however, are repayable on demand. The directors currently have no plans of demanding early repayment. The balance is interest bearing at the annual applicable Federal Rate of the US Federal Reserve.

16 Accounts payable falling due within one year

	2019	2018
	USD 000	USD 000
Trade payable	19,103	26,178
Amounts due to group undertakings	62,476	44,440
Tax and social security	6,039	1,351
Corporation tax	2,575	339
Accruals	7,600	5,886
Deferred revenue and advances from customers	19,982	33,243
	117,775	111,437

Accruals include USD 56K due to the ultimate parent undertaking (2018 - USD 43K). Amounts owed to group undertakings are unsecured, have no fixed date of repayment, are repayable on demand and are interest free. At the statement of financial position date, the company's bankers had a fixed charge over the company's debtor balances and a floating charge over all assets of the company in respect of the bank loans and overdraft.

17 Accounts payable falling due after one year

	2019	2018
	USD 000	USD 000
Amounts due to group undertakings	11,416	11,780
Deferred tax liability	-	272
Deferred revenue	2,783	638
	14,199	12,690

Amounts owed to group undertakings are unsecured, are repayable 10 years from inception date, and are interest bearing at the annual Applicable Federal Rate of the US Federal Reserve.

18 Provisions for liabilities and charges	Balance at 29 June 2018	Profit & loss charge	Applied during year	Balance at 29 June 2019
	USD 000	USD 000	USD 000	USD 000
Warranty provision	9,580	4,856	(4,057)	10,379
	9,580	4,856	(4,057)	10,379

The warranty provision represents estimated potential cost of repair to be carried out under product warranty and will be utilised between 1- 5 years. Warranty periods vary in accordance with the terms of individual contracts.

19 Called up share capital

	2019	2018
	USD 000	USD 000
Issued and fully paid		
11,591,117 (2018 – 11,591,117) ordinary shares of £1 each	17,416	17,416
	17,416	17,416

20 Contingent liabilities
At 29 June 2019 the company had a contingent liability in respect of outstanding performance bonds with a value of USD 31,799K (2018 - USD 41,820K). In the opinion of the Directors it is unlikely that these bonds will be called upon.

21 Operating lease commitments
At 29 June, the company had minimum future commitments under non-cancellable operating leases as follows:

	2019		2018	
	Buildings	Other	Buildings	Other
	USD 000	USD 000	USD 000	USD 000
Accounts payable:				
In less than one year	498	447	401	494
Within two to five years	1,485	511	809	422
After five years	346	-	540	4
	2,329	958	1,750	920

22 Pension scheme
The company operates two separate pension schemes, namely a defined contribution scheme and a defined benefit scheme. The amount recognised in the statement of financial position is as follows:

	2019	2018
	USD 000	USD 000
Defined benefit scheme asset	1,033	1,065
Defined contribution scheme payment accrual	(160)	(145)

The amount recognised in the income statement is as follows:

	2019	2018
	USD 000	USD 000
Defined benefit scheme:		
Interest expense on defined benefit obligation	(124)	(128)
Interest income on scheme assets	152	148
Net income	28	20

The total charge for the defined contribution pension scheme was USD 801K (2018: USD 747K)

22 Pension scheme (continued)

Defined benefit scheme

The company sponsors a funded defined benefit pension plan with assets held in a separately administered fund. The scheme is closed to future accrual although benefits are provided based on final salary. The scheme is administered by trustees, who are responsible for ensuring that the plan is sufficiently funded to meet current and future obligations.

The last funding valuation of the scheme was carried out by a qualified actuary as at 31 March 2019 and the initial results of that valuation have been adjusted to the statement of financial position date taking account of experience over the period since 31 March 2019, changes in market conditions and differences in the financial and demographic assumptions. The present value of the defined benefit obligation was measured using the projected unit credit method.

The principal assumptions used to calculate the liabilities under FRS 102 are set out below:

	2019	2018
Main financial assumptions		
Inflation (RPI)	3.1%	3.3%
Inflation (CPI)	2.2%	2.4%
Pension increases	3.0%	3.2%
Discount rate for scheme liabilities	2.2%	2.7%

Main demographic assumptions

The mortality assumptions are based on the "S3" Series base mortality tables with improvements in line with the Continuous Mortality Investigation (CMI) 2018 projections and a long-term rate of improvement of 1.25%pa (1% pa).

	2019	2018
Life expectancy in years from age of 65		
Male currently aged 65	21	22
Female currently aged 65	23	24
Male currently aged 45	22	23
Female currently aged 45	25	25

Fair value of scheme assets

	2019	2018
	USD 000	**USD 000**
Equities	4,740	4,872
Gilts	636	646
Corporate bonds	346	352
Other	58	-
Total	5,780	5,870

Actual return on scheme assets

	2019	2018
	USD 000	**USD 000**
Interest income on scheme assets	152	148
Gain on scheme assets	44	240
Actual return on scheme assets	196	388

22 Pension scheme (continued)

Defined benefit scheme (continued)

Reconciliation of the fair value of scheme assets

	2019	2018
	USD 000	USD 000
Fair value of assets at 30 June	5,870	5,555
Interest Income on scheme assets	152	148
Gain on scheme assets	44	240
Contributions by the employer	-	-
Net benefits paid out	(105)	(116)
Translation adjustment	(181)	43
Fair value of scheme assets at 29 June	5,780	5,870

Reconciliation of the defined benefit obligation

	2019	2018
	USD 000	USD 000
Defined benefit obligation at 30 June	4,805	4,796
Interest expense	124	128
Actuarial loss on scheme liabilities	(147)	(48)
Past Service costs	218	-
Net benefits paid out	(105)	(115)
Translation adjustment	(148)	44
Defined benefit obligation at 29 June	4,747	4,805

23 Ultimate parent undertaking and controlling entity

Rapiscan Systems Limited is a wholly owned subsidiary of OSI (Holdings) Company Limited, a company registered in England and Wales. OSI (Holdings) Company Limited is a subsidiary undertaking of OSI Systems Inc., a company registered in the State of California USA. The directors consider OSI Systems Inc. to be the controlling ultimate parent company and a copy of this company's accounts can be obtained from 12525 Chadron Avenue, Hawthorne, CA 90250, USA.

24 Related party disclosures

The company has taken advantage of the exemption under FRS 102 section 33.1A, as a wholly owned subsidiary of OSI Systems Inc. and has not disclosed details of transactions with other group companies. There were no other transactions or balances with related parties.

25 Post balance sheet events

There are no reportable post balance sheet events.