Company registration number 02755398 (England and Wales)

RAPISCAN SYSTEMS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29 JUNE 2022

RAPISCAN SYSTEMS LIMITED

COMPANY INFORMATION

Directors	K B Kent	(Appointed 21 July 2021)
	P D Lattin	
	A Mehra	
	A L Mixer	
	D J Venter	
Secretary	Gravitas Company Secretarial Services Limited	
Company number	02755398	
Registered office	One New Change London EC4M 9AF	
Auditor	Mercer & Hole LLP 72 London Road St Albans Herts AL1 1NS	
Business address	X Ray House 8 Bonehurst Road Salfords Redhill Surrey RH1 5GG	

RAPISCAN SYSTEMS LIMITED

CONTENTS

RAPISCAN SYSTEMS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 29 JUNE 2022

The directors present the strategic report for the year ended 29 June 2022.

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 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.

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 16-29 Part I, Item 1A "Risk Factors" of the 2022 Form 10-K published on 19 August 2022 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 given the shared nature of business operations and products, 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
The company's KPIs relate to maintaining margins whilst achieving sustainable growth.

	2022	**2021**	**Definition, method of calculation and analysis**
Total sales increase / (decline)	15%	(9%)	Year on year total sales increased. Total sales divided by the previous year's total sales.
External export sales increase / (decline) %	30%	(25%)	Year on year external export sales increased. External export sales increase divided by the previous year's external export sales. Sales increased in most parts of the world except for Europe.
Gross margin %	37%	34%	The margins have increased due to a change in the mix of products sold. Gross profit as a percentage of sales.

S172 Statement

The following statement describes how the directors have had regard to the matters set out in section 172(1) (a) to (f) when performing their duty under section 172 of the Companies Act 2006.

The Directors have a duty under section 172 of the Companies Act 2006 to act in a way that they consider, in good faith and would be most likely to promote the success of the company for the benefit of its shareholder. The below table shows how the Directors have fulfilled this responsibility through their leadership, instruction and example given to the various departments and employees of the company.

a. The likely consequences of any decision in the long term,

The Company recognises the importance of clear communication and proactive engagement with our stakeholders. Comprehensive engagement enables informed decision making and is integral to the long-term success of the Company.

In the tables below, and in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulation 2008 (as amended by the Companies (Miscellaneous Reporting) Regulations 2018) (the 'Regulations'), we set out the Company's stakeholder groups and how it engages with them and the impact of the engagement.

b. The interests of the company's employees

Stakeholder group	How we engage	Impact of engagement
Employees	Systems to support performance management and encouraging regular conversations with teams	Employees are treated fairly and discrimination is not tolerated
	Policies to support equality and diversity. Employee assistance helpline to support employees.	Employee feedback is considered and appropriate actions taken.
	Employee engagement survey	Activities should aim to increase employee engagement measures.

c. The need to foster the company's business relationships with suppliers, customers and others

Stakeholder group	How we engage	Impact of engagement
Customers, Suppliers and others	Regular communications via email, phone, and visiting.	This communication facilitates the delivery of our products and services and also the supply of components to the factories.

d. The impact of the company's operations on the community and the environment

Stakeholder group	How we engage	Impact of engagement
Community and environment	Employees	The company aims at caring for the environment and increasing energy efficiency when it is able to.
	Airports and ports	The company's x-ray scanning equipment significantly improves the safety of those flying. The equipment is also a deterrent against smugglers. Therefore, the community is benefited.
	Buildings	The company's offices and factories form an integral part of the local communities in which they are based.
	Website	www.rapiscansystem.com, gives details of the company's products and other information.

e. The desirability of the company maintaining a reputation for high standards of business conduct

The company aims at the highest levels of ethical behaviour and requires those it works with to sign non bribery agreements.

f. The need to act fairly as between members of the company

The company aims to treat all fairly and equally expects to be treated fairly by all stakeholders.

On behalf of the board

DocuSigned by:

kieran kent

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K B Kent

Date: 15/3/2023

The directors present their annual report and financial statements for the year ended 29 June 2022.

Principal activities

The principal activity of the company continued to be that of provision and development of security screening technology.

Branches

The company has branches in Norway, Taiwan and Qatar.

Results and dividends

The results for the year are set out on page 12.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

K B Kent	(Appointed 21 July 2021)
P D Lattin	
A Mehra	
A L Mixer	
D J Venter	

Qualifying third party indemnity provisions

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.

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.

Disabled persons

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.

Employee involvement

Equal opportunity of employment

The company is committed to eliminating discrimination amongst our workforce. The company's 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.

Post reporting date events

On 31 August 2022, the company acquired the entire share capital of Quadratica (UK) Ltd for $2.3m.

Auditor

The company’s auditor, Mercer & Hole, incorporated on 1 October 2022 to become Mercer & Hole LLP. The directors have consented to treating the incorporation of Mercer & Hole LLP as a continuation of the existing audit arrangement and in accordance with the company’s articles, a resolution proposing that Mercer & Hole LLP be reappointed as auditor of the company will be put at a General Meeting.

Energy and carbon report

During the year the company was responsible for the emission of the following tonnes of CO2 during the course of its business activities.

	2022	2021
Energy consumption	**kWh**	**kWh**
Aggregate of energy consumption in the year		
- Gas combustion	333,413	662,535
- Electricity purchased	552,499	516,032
- Fuel consumed for transport	2,843,866	3,130,329
	3,729,778	4,308,896

Emissions of CO2 equivalent	**2022 metric tonnes**	**2021 metric tonnes**
Scope 1 - direct emissions		
- Gas combustion	61	121
- Fuel consumed for owned transport	138	129
	199	250
Scope 2 - indirect emissions		
- Electricity purchased	550	665
Scope 3 - other indirect emissions		
- Fuel consumed for transport not owned by the	-	-
Total gross emissions	749	915
Intensity ratio		
Tonnes CO2e per $1m of revenue	2.5	3.5

Quantification and reporting methodology
We have followed the 2019 HM Government Environmental Reporting Guidelines. We have also used the GHG Reporting Protocol – Corporate Standard and have used the 2022 (2021) UK Government's Conversion Factors for Company Reporting.

Intensity measurement
The chosen intensity measurement ratio is total gross emissions in metric tonnes CO2e per $1m of revenue.

Measures taken to improve energy efficiency
The company aims to improve the energy efficiencies of its products through continued research and development.

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 4. These matters relate to the review and analysis of the business and the principal risks and uncertainties.

Statement of disclosure to auditor
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

DocuSigned by:
Kieran Kent
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K B Kent
Director

Date: 15/3/2023

RAPISCAN SYSTEMS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 29 JUNE 2022

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). 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;
- 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF RAPISCAN SYSTEMS LIMITED

Opinion

We have audited the financial statements of Rapiscan Systems Limited (the 'company') for the year ended 29 June 2022 which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including significant accounting policies. 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).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 29 June 2022 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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.

RAPISCAN SYSTEMS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBER OF RAPISCAN SYSTEMS LIMITED

Matters on which we are required to report by exception

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 material misstatements in the strategic report or the directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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.

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches under global aviation security requirements and we considered the extent to which non-compliance may have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act and tax legislation.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements and the financial report (including the risk of override of controls), and determined that the principle risks were related to posting inappropriate entries including journals to understate revenue or overstate expenditure, and management bias in accounting estimates.

Audit procedures performed by the engagement team included:

· discussions with management, including considerations of known or suspected instances of non-compliance with laws and regulations and fraud;

· evaluation of the operating effectiveness of management's controls designed to prevent and detect irregularities;

· challenging assumptions and judgements made by management in its significant accounting estimates;

· identifying and testing journal entries.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

A further description of our responsibilities is available on the Financial Reporting Council's website at: https://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 member 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 member those matters we are required to state to the member 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 member, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

Mercer & Hole LLP

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Ross Lane
Senior Statutory Auditor
For and on behalf of Mercer & Hole LLP

Date: 16/3/2023

Chartered Accountants
Statutory Auditor

72 London Road
St Albans
Herts
AL1 1NS

RAPISCAN SYSTEMS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 29 JUNE 2022

	Notes	2022 $000	2021 $000
Turnover	**3**	300,658	260,543
Cost of sales		(190,876)	(172,781)
Gross profit		109,782	87,762
Administrative expenses		(65,073)	(68,772)
Other operating income		404	841
Operating profit	**4**	45,113	19,831
Interest receivable and similar income	**8**	611	358
Interest payable and similar expenses	**9**	(1,716)	(1,566)
Profit before taxation		44,008	18,623
Tax on profit	**10**	(6,423)	(3,492)
Profit for the financial year		37,585	15,131

The profit and loss account has been prepared on the basis that all operations are continuing operations.

RAPISCAN SYSTEMS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 29 JUNE 2022

	2022 $000	2021 $000
Profit for the year	37,585	15,131
Other comprehensive income		
Actuarial gain on defined benefit pension schemes	746	1,322
Tax relating to other comprehensive income	(193)	(333)
Other comprehensive income for the year	553	989
Total comprehensive income for the year	38,138	16,120

RAPISCAN SYSTEMS LIMITED

BALANCE SHEET

AS AT 29 JUNE 2022

		2022		2021	
	Notes	**$000**	**$000**	**$000**	**$000**
Fixed assets					
Goodwill	**11**		8,160		9,612
Other intangible assets	**11**		584		601
Total intangible assets			8,744		10,213
Tangible assets	**12**		11,215		13,001
Investments	**13**		90		90
			20,049		23,304
Current assets					
Stocks	**14**	78,766		76,500	
Debtors falling due after more than one year	**15**	17,275		19,510	
Debtors falling due within one year	**15**	262,117		217,528	
Cash at bank and in hand		6,907		14,956	
		365,065		328,494	
Creditors: amounts falling due within one year	**16**	(152,647)		(153,241)	
Net current assets			212,418		175,253
Total assets less current liabilities			232,467		198,557
Creditors: amounts falling due after more than one year	**17**		(8,139)		(7,811)
Provisions for liabilities					
Provisions	**19**	7,194		11,322	
			(7,194)		(11,322)
Net assets excluding pension surplus			217,134		179,424
Defined benefit pension surplus	**22**		2,275		1,502
Net assets			219,409		180,926
Capital and reserves					
Called up share capital	**24**		17,416		17,416
Capital contribution	**25**		15,981		15,636
Currency translation reserve	**25**		(5,813)		(5,813)
Profit and loss reserves	**25**		191,825		153,687
Total equity			219,409		180,926

RAPISCAN SYSTEMS LIMITED

BALANCE SHEET (CONTINUED)

AS AT 29 JUNE 2022

The financial statements were approved by the board of directors and authorised for issue on 15/3/2023 and are signed on its behalf by:

DocuSigned by:
kieran kent
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K B Kent
Director

Company Registration No. 02755398

RAPISCAN SYSTEMS LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 29 JUNE 2022

	Notes	Share capital	Capital contribution	Currency translation reserve	Profit and loss reserves	Total
		$000	$000	$000	$000	$000
Balance at 30 June 2020		17,416	15,280	(5,813)	137,567	164,450
Year ended 29 June 2021:						
Profit for the year		-	-	-	15,131	15,131
Other comprehensive income:						
Actuarial gains on defined benefit plans		-	-	-	1,322	1,322
Tax relating to other comprehensive income		-	-	-	(333)	(333)
Total comprehensive income for the year		-	-	-	16,120	16,120
Credit to equity for equity settled share-based payments	**23**	-	356	-	-	356
Balance at 29 June 2021		17,416	15,636	(5,813)	153,687	180,926
Year ended 29 June 2022:						
Profit for the year		-	-	-	37,585	37,585
Other comprehensive income:						
Actuarial gains on defined benefit plans		-	-	-	746	746
Tax relating to other comprehensive income		-	-	-	(193)	(193)
Total comprehensive income for the year		-	-	-	38,138	38,138
Credit to equity for equity settled share-based payments	**23**	-	345	-	-	345
Balance at 29 June 2022		17,416	15,981	(5,813)	191,825	219,409

1 Accounting policies

Company information

Rapiscan Systems Limited is a private company limited by shares incorporated in England and Wales. The registered office is One New Change, London, EC4M 9AF. The principal place of business is X Ray House, 8 Bonehurst Road, Salfords, Redhill, Surrey, RH1 5GG.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” (“FRS 102”) and the requirements of the Companies Act 2006.

The financial statements are prepared in US dollars, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest $1,000.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 ‘Statement of Cash Flows’: Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 ‘Basic Financial Instruments’ and Section 12 ‘Other Financial Instrument Issues: Interest income/expense and net gains/losses for financial instruments not measured at fair value; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 ‘Share based Payment’: Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 ‘Related Party Disclosures’: Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of OSI Systems Inc.. These consolidated financial statements are available from its registered office as disclosed in 30

1.2 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 and customer demand remains strong. The directors have also gained assurance by creating a forecast for the twelve months following the date these financial statements are approved. As a consequence, the directors believe that the company is well placed to manage its business risks successfully. Thus, the directors continue to adopt the going concern basis in preparing these financial statements.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1 Accounting policies **(Continued)**

1.4 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

1.5 Intangible fixed assets - 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.

1.6 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Computer Software	1 - 4 years
Patents & licences	20 years
Development costs	Expected UEL

1.7 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold Land & buildings	20 years
Leasehold improvements	5 - 10 years
Plant and equipment	1 - 10 years
Computers	1 - 4 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.8 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

RAPISCAN SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 JUNE 2022

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1 Accounting policies **(Continued)**

An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The company considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

Entities in which the company has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

1.9 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.10 Stocks

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 rate used is 3 years.

1.11 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1 Accounting policies **(Continued)**

1.12 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the 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.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method 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. Financial assets classified as receivable within one year are not amortised.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an 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 profit or loss.

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 amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

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.

1 Accounting policies (Continued)

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, 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 payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

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

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company’s contractual obligations expire or are discharged or cancelled.

1.13 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.14 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

1 Accounting policies **(Continued)**

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.15 Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

1.16 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee’s services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

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.

1 Accounting policies **(Continued)**

1.17 Retirement benefits

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.

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.

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.

1.18 Share-based payments

When the terms and conditions of equity-settled share-based payments at the time they were granted are subsequently modified, the fair value of the share-based payment under the original terms and conditions and under the modified terms and conditions are both determined at the date of the modification. Any excess of the modified fair value over the original fair value is recognised over the remaining vesting period in addition to the grant date fair value of the original share-based payment. The share-based payment expense is not adjusted if the modified fair value is less than the original fair value.

Cancellations or settlements (including those resulting from employee redundancies) are treated as an acceleration of vesting and the amount that would have been recognised over the remaining vesting period is recognised immediately.

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.

1 Accounting policies **(Continued)**

1.19 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1.20 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

Government grants relating to turnover are recognised as income over the periods when the related costs are incurred. Grants relating to an asset are recognised in income systematically over the asset's expected useful life. If part of such a grant is deferred it is recognised as deferred income rather than being deducted from the asset's carrying amount.

1.21 Foreign exchange

Transactions in currencies other than US dollars are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

2 Judgements and key sources of estimation uncertainty

In the application of the company’s accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount 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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The following judgements and key estimates have had the most significant effect on amounts recognised in the financial statements.

Deferred tax

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.

Inventory provision

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 $17,565k (2021: $18,811k)

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 $2,725k (2021: $3,375k)

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.

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.

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. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is ten years.

RAPISCAN SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 JUNE 2022

3 Turnover and other revenue

	2022 $000	2021 $000
Turnover analysed by geographical market		
United Kingdom	14,017	26,014
Americas	2,468	1,304
Europe (excluding UK)	60,411	76,950
Middle East	87,332	64,249
Africa	44,258	22,333
Asia Pacific	21,681	1,787
Sales to group companies (Australia, Malaysia, Middle East, Japan, Singapore, Guatemala, United States)	70,491	67,906
	300,658	260,543

	2022 $000	2021 $000
Other revenue		
Interest income	611	358
Grants received	404	841

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.

4 Operating profit

Operating profit for the year is stated after charging/(crediting):	2022 $000	2021 $000
Exchange (gains)/losses	(2,114)	708
Research and development costs	2,793	3,560
Government grants	(404)	(841)
Depreciation of owned tangible fixed assets	2,568	2,728
Loss on disposal of tangible fixed assets	142	27
Amortisation of intangible assets	1,471	1,488
Amortisation of hire and demonstration stock	896	1,395
Share-based payments	345	356
Operating lease charges	1,673	2,060

RAPISCAN SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 JUNE 2022

5 Auditor's remuneration

Fees payable to the company's auditor and associates:	2022 $000	2021 $000
For audit services		
Audit of the financial statements of the company	95	95
For other services		
Taxation compliance services	23	23
All other non-audit services	5	-
	28	23
For services in respect of associated pension schemes		
Audit-related assurance services	10	7

6 Employees

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

	2022 Number	2021 Number
Selling and distribution	32	34
Production and service	355	351
Administration and other	64	63
Total	451	448

Their aggregate remuneration comprised:

	2022 $000	2021 $000
Wages and salaries	32,105	33,215
Social security costs	3,464	3,335
Pension costs	979	1,009
	36,548	37,559

7 Directors' remuneration

	2022 $000	2021 $000
Remuneration for qualifying services	480	567
Amounts receivable under long term incentive schemes	40	24
	520	591

7 Directors' remuneration (Continued)

Three directors received remuneration from the company during the year. The other two (2021: 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.

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2021 - 2).

The number of directors who exercised share options during the year was 3 (2021 - 2)

The number of directors who are entitled to receive shares under long term incentive schemes during the year was 3 (2021 - 2).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2022 $000	2021 $000
Remuneration for qualifying services	179	256
Company pension contributions to defined contribution schemes	13	13

The highest paid director has exercised share options during the year.
The highest paid director has been entitled to receive shares under a long term incentive scheme during the year.

8 Interest receivable and similar income

	2022 $000	2021 $000
Interest income		
Interest on the net defined benefit asset	116	96
Interest receivable from group companies	383	256
Other interest income	112	6
Total income	611	358

9 Interest payable and similar expenses

	2022 $000	2021 $000
Interest on bank overdrafts and loans	1,028	917
Interest payable to group undertakings	471	489
Net interest on the net defined benefit liability	90	92
Other interest	127	68
	1,716	1,566

RAPISCAN SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 JUNE 2022

10 Taxation

	2022	2021
	$000	$000
Current tax		
UK corporation tax on profits for the current period	7,563	3,458
Adjustments in respect of prior periods	(843)	69
Total current tax	6,720	3,527
Deferred tax		
Origination and reversal of timing differences	(143)	(247)
Changes in tax rates	-	26
Adjustment in respect of prior periods	(154)	186
Total deferred tax	(297)	(35)
Total tax charge	6,423	3,492

An increase in the UK corporation tax rate from 19% to 25% (effective from 1 April 2023) was substantively enacted on 10 June 2021.The increase in the rate will apply to companies with profits over £250k. Also announced in the Budget on 3 March 2021 was the introduction of small profits rate of 19% to apply to profits under £50k with a tapered rate to apply on profits above this threshold but under £250k.

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2022	2021
	$000	$000
Profit before taxation	44,008	18,623
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	8,362	3,538
Tax effect of expenses that are not deductible in determining taxable profit	272	(35)
Adjustments in respect of prior years	(843)	255
Effect of change in corporation tax rate	-	26
Group relief	-	(152)
Other permanent differences	3	(193)
Foreign exchange differences	-	591
Patent box additional deduction	(1,371)	(538)
Taxation charge for the year	6,423	3,492

RAPISCAN SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 JUNE 2022

10 Taxation **(Continued)**

In addition to the amount charged to the profit and loss account, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2022	2021
	$000	$000
Deferred tax arising on:		
Actuarial differences recognised as other comprehensive income	193	333

11 Intangible fixed assets

	Goodwill	Computer Software	Patents & licences	Development costs	Total
	$000	$000	$000	$000	$000
Cost					
At 30 June 2021	15,074	440	133	533	16,180
Additions	-	-	2	-	2
At 29 June 2022	15,074	440	135	533	16,182
Amortisation and impairment					
At 30 June 2021	5,462	424	81	-	5,967
Amortisation charged for the year	1,452	12	7	-	1,471
At 29 June 2022	6,914	436	88	-	7,438
Carrying amount					
At 29 June 2022	8,160	4	47	533	8,744
At 29 June 2021	9,612	16	52	533	10,213

RAPISCAN SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 JUNE 2022

12 Tangible fixed assets

	Freehold Land & buildings	Leasehold improvements	Plant and equipment	Computers	Total
	$000	$000	$000	$000	$000
Cost					
At 30 June 2021	12,923	825	12,752	1,331	27,831
Additions	12	74	565	373	1,024
Disposals	(94)	(57)	(799)	(159)	(1,109)
Transfers	(32)	(59)	(29)	(16)	(136)
At 29 June 2022	12,809	783	12,489	1,529	27,610
Depreciation and impairment					
At 30 June 2021	4,769	687	8,610	764	14,830
Depreciation charged in the year	491	83	1,647	347	2,568
Eliminated in respect of disposals	(78)	(57)	(613)	(147)	(895)
Transfers	(32)	(60)	(8)	(8)	(108)
At 29 June 2022	5,150	653	9,636	956	16,395
Carrying amount					
At 29 June 2022	7,659	130	2,853	573	11,215
At 29 June 2021	8,154	138	4,142	567	13,001

13 Fixed asset investments

	Notes	2022 $000	2021 $000
Investments in subsidiaries		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.

14 Stocks

	2022 $000	2021 $000
Raw materials and consumables	36,443	33,141
Work in progress	17,544	23,981
Finished goods and goods for resale	24,779	19,378
	78,766	76,500

15 Debtors

Amounts falling due within one year:	2022 $000	2021 $000
Trade debtors	66,397	53,700
Corporation tax recoverable	-	231
Amounts owed by group undertakings	150,157	122,000
Other debtors	13,465	12,104
Prepayments and accrued income	32,098	29,493
	262,117	217,528

Amounts falling due after more than one year:	2022 $000	2021 $000
Amounts owed by group undertakings	16,843	19,182
Deferred tax asset (note 20)	432	328
	17,275	19,510
Total debtors	279,392	237,038

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 as the annual applicable Federal Rate of the US Federal Reserve.

16 Creditors: amounts falling due within one year

	Notes	2022 $000	2021 $000
Other borrowings	**18**	10,943	12,503
Trade creditors		19,956	30,184
Amounts owed to group undertakings		98,513	74,493
Corporation tax		4,552	-
Other taxation and social security		848	806
Deferred income	**21**	11,703	27,271
Accruals and deferred income		6,132	7,984
		152,647	153,241

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 facilities.

Loans owed to group undertakings are unsecured and are interest bearing at the annual Applicable Federal Rate of the US Federal Reserve.

RAPISCAN SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 JUNE 2022

17 Creditors: amounts falling due after more than one year

	Notes	2022 $000	2021 $000
Deferred income	21	7,669	7,811
Other creditors		470	-
		8,139	7,811

18 Loans and overdrafts

	2022 $000	2021 $000
Loans from group undertakings	10,943	12,503
Payable within one year	10,943	12,503

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 facilities.

Loans owed to group undertakings are unsecured and are interest bearing at the annual Applicable Federal Rate of the US Federal Reserve.

19 Provisions for liabilities

	2022 $000	2021 $000
Warranty Provision	7,194	11,322

Movements on provisions:

	Warranty Provision $000	Contract Loss Provision $000	Total $000
At 30 June 2021	11,312	10	11,322
Additional provisions in the year	1,259	-	1,259
Utilisation of provision	(5,377)	(10)	(5,387)
At 29 June 2022	7,194	-	7,194

The warranty provision represents estimated potential cost of repair to be carried out under product warranty and will be utilised between 1- 2 years. Warranty periods vary in accordance with the terms of individual contracts. The contract loss is a provision for losses on a contract.

20 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

Balances:	Assets 2022 $000	Assets 2021 $000
Accelerated depreciation	538	488
Retirement benefit obligations	(569)	(376)
Other Timing Differences	463	216
	432	328

Movements in the year:	2022 $000
Asset at 30 June 2021	(328)
Credit to profit or loss	(297)
Charge to other comprehensive income	193
Asset at 29 June 2022	(432)

The deferred tax asset set out above is not expected to reverse within 12 months.

21 Deferred income

	2022 $000	2021 $000
Other deferred income	19,372	35,082

Deferred income is included in the financial statements as follows:		
Current liabilities	11,703	27,271
Non-current liabilities	7,669	7,811
	19,372	35,082

22 Retirement benefit schemes

Defined contribution schemes	2022 $000	2021 $000
Charge to profit or loss in respect of defined contribution schemes	979	960

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

22 Retirement benefit schemes (Continued)

Defined benefit schemes

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.

Key assumptions	**2022** **%**	**2021** **%**
Discount rate	3.8	1.9
Expected rate of increase of pensions in payment	3.0	3.2
Inflation (RPI)	3.1	3.3
Inflation (CPI)	2.5	2.6

Mortality assumptions Assumed life expectations on retirement at age 65:	**2022** **Years**	**2021** **Years**
Currently Aged 65		
- Males	22	21
- Females	24	23
Currently Aged 45		
- Males	23	22
- Females	26	25

Amounts recognised in the profit and loss account	**2022** **$000**	**2021** **$000**
Net interest on net defined benefit liability/(asset)	(26)	(4)
Other costs and income	-	49
Total costs/(income)	(26)	45

22 Retirement benefit schemes **(Continued)**

Amounts taken to other comprehensive income	**2022 $000**	**2021 $000**
Actual return on scheme assets	42	(1,127)
Plus: calculated interest element	116	96
Return on scheme assets excluding interest income	158	(1,031)
Actuarial changes related to obligations	(1,092)	(262)
Exchange differences	188	(29)
Total costs/(income)	(746)	(1,322)

The amounts included in the balance sheet arising from the company's obligations in respect of defined benefit plans are as follows:

	2022 $000	**2021 $000**
Present value of defined benefit obligations	3,702	5,508
Fair value of plan assets	(5,977)	(7,010)
Surplus in scheme	(2,275)	(1,502)

Movements in the present value of defined benefit obligations	**2022 $000**
Liabilities at 30 June 2021	5,507
Benefits paid	(116)
Actuarial gains and losses	(1,092)
Interest cost	90
Exchange differences	(687)
At 29 June 2022	3,702

The defined benefit obligations arise from plans which are wholly or partly funded.

Movements in the fair value of plan assets	**2022 $000**
Fair value of assets at 30 June 2021	7,010
Interest income	116
Return on plan assets (excluding amounts included in net interest)	(158)
Benefits paid	(116)
Exchange differences	(875)
At 29 June 2022	5,977

22 Retirement benefit schemes **(Continued)**

Fair value of plan assets at the reporting period end	**2022 $000**	**2021 $000**
Equity instruments	5,301	5,818
Gilts	305	702
Corporate bonds	366	421
Other	5	69
	5,977	7,010

23 Share-based payment transactions

Group share-based payments

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 2021, 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.

24 Share capital

Ordinary share capital	**2022 Number**	**2021 Number**	**2022 $000**	**2021 $000**
Issued and fully paid				
Ordinary Shares of £1 each	11,591,117	11,591,117	17,416	17,416

25 Reserves

Capital contribution

A capital contribution of $13,865,000 (2021: $13,865,000) was previously provided by OSI (Holdings) Company Ltd, the company's immediate parent company. 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. As at 30 June 2022 the share options provision was $2,115,990 (2021: $1,771,378).

Currency translation reserve

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

25 Reserves **(Continued)**

Profit and loss reserves

This reserve represents cumulative profits or losses net of dividends paid.

26 Financial commitments, guarantees and contingent liabilities

At 29 June 2022 the company had a contingent liability in respect of outstanding performance bonds with a value of $45,506k (2021: $47,736k). In the opinion of the Directors it is unlikely that these bonds will be called upon.

27 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2022	2021
	$000	$000
Within one year	556	124
Between two and five years	849	1,401
In over five years	57	595
	1,462	2,120

28 Events after the reporting date

On 31 August 2022, the company acquired the entire share capital of Quadratica (UK) Ltd for $2.3m.

29 Related party transactions

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.

30 Ultimate controlling party

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.