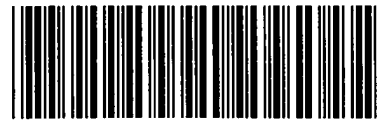


DATAPATH LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 31 MARCH 2020

FRIDAY



A9FA6SLU

A18

09/10/2020

#203

COMPANIES HOUSE

DATAPATH LIMITED

COMPANY INFORMATION

Directors	Mr D Crosby (resigned 25 October 2019) Mr T Jones Mr N G Fasey Mr J J Storey Mr B Krylander Mr S A Hunt (resigned 13 January 2020) Mr D Griffiths (appointed 2 April 2020)
Company secretary	Mr N G Fasey
Registered number	01609392
Registered office	Bemrose House Bemrose Park Wayzgoose Drive Derby DE21 6XQ
Independent auditor	Cooper Parry Group Limited Chartered Accountants & Statutory Auditor Sky View Argosy Road East Midlands Airport Castle Donington Derby DE74 2SA
Bankers	National Westminster Bank plc 24 Uttoxeter Road Mickleover Derby DE1 9DW

DATAPATH LIMITED

CONTENTS

	Page
Strategic report	1 - 2
Directors' report	3 - 4
Independent auditor's report	5 - 7
Profit and loss account	8
Balance sheet	9
Notes to the financial statements	10 - 23

DATAPATH LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2020

Introduction

The company is involved in consultancy work in the field of micro-electronics and the manufacture and supply of electronic component units, sub-systems and software to industry.

Business review

The company's performed well during the year in which were difficult global market conditions, even before Covid-19. Previous investments in the range of 4K products were paying off with good growth, as too was the work on WallControl 10 application.

The US systems integrator market grew well in the year as we gain more penetration in this market. Sales into the medical market are also going well both in the EU and US. As we expected, sales to UK betting were down due the changes in betting laws and sales into betting in the US have been slow.

The Covid-19 pandemic only really affected the sales in late March and therefore had only a limited impact on the full year. A growth in turnover of 4.7% was considered satisfactory by the board given the market conditions. Operating profit increased 63% after capitalisation of development costs of £1.6m, before capitalisation of development this was still an impressive 30% increase in operating profit.

The main development effort during the year is targeted on a new platform of technology that will see a series of product launches through 2020 and into 2021. Significant revenue growth from these are not expected until 2021 and beyond, but it is anticipated that these will form the base for products for the next 5 years or more. We have launched a Premium Service package offering in 2020 which will support the new products and the systems integrator customer base.

Future prospects are clearly affected by the Covid-19 pandemic, but the company is well prepared for such an emergency. The diverse nature of the markets we operate in both geographically and by industry have softened the blow. Whilst some countries are on lockdown, others are still buying, as the virus hotspots move around the world. We have seen our medical business continue at good levels, as well as some increase in capture card business due to changing demands for working remotely. At the same time, we are seeing a dramatic fall in sales into retail and the events market. Overall sales are down around 33%, since Covid-19, but showing signs of improvement after the initial lockdowns. At this level of sales, we are still profitable and have not needed to call on our significant cash reserves.

Principal risks and uncertainties

Covid-19

The single largest risk is the effect of Covid-19 as mentioned above. The diversified nature of the business helps to mitigate this risk along with a cash reserve. We are planning for a second wave of Covid-19 around the world but expect this to be more localised and better managed than the first. However well prepared we are our customers are not always so lucky, those exposed to particular industries will be hit hard. We are expecting some casualties in the customer base particularly when some of the state aid unwinds.

Brexit

Like all business we await the outcome and subsequent impact of the Brexit negotiations. In light of Datapath's international sales footprint, the directors do not believe Brexit will have a material effect on short term performance.

DATAPATH LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2020**

Exchange rates

Over 94% of the company's revenues comes from exports and it is therefore exposed to exchange rate movements in US\$ and Euro. The company seeks to create a natural hedge in these currencies by purchasing goods and services in these currencies wherever possible to manage this risk.

Environment

The company recognises the importance of its environmental responsibilities and designs and implements policies to reduce any damage that might be caused by the company's activities. Initiatives include safe disposal of computer equipment, recycling and reduced energy consumption.

Financial key performance indicators

The key performance indicators monitored by the board are turnover, gross profit and overall overhead cost, as detailed in the company's profit and loss account.

The board is satisfied with the performance of the company against these KPI's given the economic circumstances in which the company operates.

This report was approved by the board and signed on its behalf.

DocuSigned by:



51C249063AC942D...

Mr B Krylander
Director

Date: 07 October 2020

DATAPATH LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2020

The directors present their report and the financial statements for the year ended 31 March 2020.

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

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

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

- select suitable accounting policies for the company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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.

Results and dividends

The profit for the year, after taxation, amounted to £7,067,292 (2019: £4,439,529).

During the year the directors declared a dividend of £11,200,000 (2019: £Nil).

Directors

The directors who served during the year are noted on the company information page.

Coronavirus

At the date of signing these financial statements, the UK is in partial 'lockdown' as a result of the Covid-19 pandemic. The severity and length of economic downturn is unknown due to the uncertainty of the social distancing measures enforced by the UK government. The UK government has announced unprecedented levels of financial support for the economy in the form of grants to retain employees that are furloughed during this time, as well as extensions of time to pay certain taxes that are due. The directors have considered the effect on the company with the information available to it, and do not believe it will affect the company's ability to continue to trade for the foreseeable future. See note 1.2 for further details.

DATAPATH LIMITED


**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2020**

Disclosure of information to auditor

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This report was approved by the board and signed on its behalf by:

DocuSigned by:

51C249063AC942D...

Mr B Krylander
Director

Date: 07 October 2020

DATAPATH LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DATAPATH LIMITED

Opinion

We have audited the financial statements of Datapath Limited (the 'company') for the year ended 31 March 2020, which comprise the profit and loss account, the balance sheet and the related notes, 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 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 31 March 2020 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 United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We 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.

DATAPATH LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DATAPATH 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.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In 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.

DATAPATH LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DATAPATH LIMITED (CONTINUED)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement on page 3, 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.

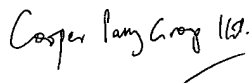
Auditor's responsibilities for the audit of the financial statements

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.



Andrew Honarmand (Senior Statutory Auditor)

for and on behalf of
Cooper Parry Group Limited

Chartered Accountants
Statutory Auditor

Sky View
Argosy Road
East Midlands Airport
Castle Donington
Derby
DE74 2SA

Date: 7 October 2020

DATAPATH LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2020

	Note	2020 £	2019 £
Turnover	3	27,644,455	26,409,864
Cost of sales		(12,026,247)	(11,867,110)
Gross profit		<u>15,618,208</u>	<u>14,542,754</u>
Administrative expenses		(7,932,476)	(8,831,020)
Exceptional expenses	4	-	(1,018,310)
Total administrative expenses	5	<u>(7,932,476)</u>	<u>(9,849,330)</u>
Operating profit	5	<u>7,685,732</u>	<u>4,693,424</u>
Interest receivable and similar income		56,560	15,719
Profit on ordinary activities before taxation		<u>7,742,292</u>	<u>4,709,143</u>
Taxation on profit on ordinary activities	8	(675,000)	(269,614)
Profit for the year		<u><u>7,067,292</u></u>	<u><u>4,439,529</u></u>
Retained earnings at the beginning of the year		36,185,216	31,745,687
Profit for the year		7,067,292	4,439,529
Dividend paid	9	(11,200,000)	-
Retained earnings at the end of the year		<u><u>32,052,508</u></u>	<u><u>36,185,216</u></u>

There were no recognised gains and losses for 2020 or 2019 other than those included in the profit and loss account.

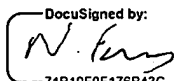
The notes on pages 10 to 23 form part of these financial statements.

DATAPATH LIMITED
REGISTERED NUMBER: 01609392

BALANCE SHEET
AS AT 31 MARCH 2020

	Note	2020 £	2019 £
Fixed assets			
Intangible assets	10	3,385,459	1,815,118
Tangible fixed assets	11	248,428	176,922
		<u>3,633,887</u>	<u>1,992,040</u>
Current assets			
Stocks	12	4,273,586	4,770,596
Debtors	13	22,287,292	21,647,584
Cash at bank and in hand		4,507,521	9,825,189
		<u>31,068,399</u>	<u>36,243,369</u>
Creditors: amounts falling due within one year	14	<u>(2,400,798)</u>	<u>(2,024,729)</u>
Net current assets		<u>28,667,601</u>	<u>34,218,640</u>
Total assets less current liabilities		<u>32,301,488</u>	<u>36,210,680</u>
Provisions for liabilities			
Deferred taxation	15	(248,950)	(25,434)
Net assets		<u><u>32,052,538</u></u>	<u><u>36,185,246</u></u>
Capital and reserves			
Called up share capital	16	20	20
Capital redemption reserve	17	10	10
Profit and loss account	17	32,052,508	36,185,216
Shareholders' funds		<u><u>32,052,538</u></u>	<u><u>36,185,246</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

DocuSigned by:

 71B19F9F176B43C...
Mr N G Fasey
 Director

Date: 07 October 2020

The notes on pages 10 to 23 form part of these financial statements.

DATAPATH LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

1. Accounting policies

Datapath Limited (the 'company') is a limited liability company incorporated and domiciled in the United Kingdom. The address of its registered office is disclosed on the company information page.

The financial statements are prepared in Sterling (£), which is the functional currency of the company. The financial statements are for the year ended 31 March 2020 (2019: year ended 31 March 2019).

1.1 Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with Financial Reporting Standard (FRS) 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the company's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

The following accounting policies have been applied:

1.2 Coronavirus and going concern

At the balance sheet date the company had a significant cash balance and solvent net current asset position. At the time of signing these accounts, the directors have considered the effect of the Coronavirus on the going concern position, and consider that this does indicate that the company will continue to trade for a period of at least 12 months from the date of signing these accounts.

The financial forecasts prepared by the directors show that the company will be able to operate within the facilities available to it.

On that basis, the directors have prepared these financial statements on a going concern basis.

1.3 Disclosure exemptions

The company has adopted the following disclosure exemptions:

Under FRS 102 Section 1.12, the company is exempt from the requirements to prepare a statement of cash flows on the grounds that its parent company, Datapath Group Limited, includes the company's cash flows in its own published consolidated financial statements.

The entity is a 'qualifying entity' and has also taken advantage of the exemption from disclosing key management personnel (other than directors emoluments) under FRS 102 Section 1.12.

1.4 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, Value Added Tax and other sales taxes. Turnover is recognised when goods are dispatched from the warehouse.

DATAPATH LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

1. Accounting policies (continued)

1.5 Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets over their expected useful lives on the following basis:

Plant and machinery	- 33.3% straight line
Fixtures and fittings	- 15% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'administrative expenses' in the profit and loss account.

At each balance sheet date, the company reviews the carrying amounts of its tangible fixed assets to determine whether there is any indication that any items have suffered an impairment loss. If any such indication exists, the recoverable amount of an asset is estimated in order to determine the extent of the impairment loss, if any.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

1.6 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Patents and development costs are considered to have a finite useful life of 10 years.

1.7 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Raw material cost is based on the cost of purchase on a first in, first out basis. Finished goods are valued on a weighted average cost basis.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the profit and loss account.

1.8 Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities such as trade and other accounts receivable and payable, loans from banks and other third parties and loans with related parties.

All financial assets and liabilities are initially measured at transaction price and subsequently measured at amortised cost.

For financial assets measured at cost less impairment, the impairment loss is measured as the

DATAPATH LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

1. Accounting policies (continued)

1.8 Financial instruments (continued)

difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the balance sheet date.

1.9 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their estimated useful economic life of 10 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

1.10 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the rate of exchange at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account in the period in which they arise.

1.11 Dividends

Equity dividends are recognised when they become legally payable.

1.12 Operating leases

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

1.13 Pensions

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which 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 in the profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

DATAPATH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

1. Accounting policies (continued)

1.14 Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet.

1.15 Current and deferred taxation

The tax charge for the year comprises of current and deferred tax.

Current or deferred tax is recognised in the profit and loss account, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current or deferred tax is also recognised in other comprehensive income or directly in equity respectively.

The current and deferred tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date. The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1.16 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the company but are presented separately due to their size or incidence.

DATAPATH LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

2. Judgements in applying accounting policies and key sources of estimation uncertainty

The directors of the company make estimates and assumptions concerning the future. The directors are also required to exercise judgement in the process of applying the company's accounting policies. These are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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.

Depreciation and residual values

The directors have reviewed the asset lives and associated residual values of all fixed asset classes, and have concluded that asset lives and residual values are appropriate.

The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and project disposal values.

Intangible assets

The directors of the company establish a reliable estimate of the useful life of intangible assets. This estimate is based on a variety of factors such as the expected use of the asset, the expected useful life of the cash generating units to which the intangible is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

Significant judgement is involved in the process of identifying and evaluating intangible assets. Intangible assets with a finite life are reviewed for impairment when an impairment trigger is identified. Calculating any subsequent impairment, principally in the estimation of the future cash flows of the cash generating units and the discount rate applied to each cash generating unit involves judgement.

Impairment of non-current assets

The directors of the company assess the impairment of tangible fixed assets subject to depreciation whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors considered important that could trigger an impairment review include the following:

- Significant underperformance relative to historical or projected future operating results;
- Significant changes in the manner of the use of the acquired assets or the strategy for the overall business; and
- Significant negative industry or economic trends.

Carrying value of stocks

The directors review the market value of and demand for the company's stocks on a periodic basis to ensure stock is recorded in the financial statements at the lower of cost and net realisable value. Any provision for impairment is recorded against the carrying value of stocks. The directors use their knowledge of market conditions, historical experiences and estimates of future events to assess future demand for the company's products and achievable selling prices.

DATAPATH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

2. Judgements in applying accounting policies (continued)

Recoverability of trade debtors

Trade and other debtors are recognised to the extent that they are judged recoverable. The directors reviews are performed to estimate the level of provision required for irrecoverable debt. Provisions are made specifically against invoices where recoverability is uncertain.

The directors make allowance for doubtful debts based on an assessment of the recoverability of debtors. Allowances are applied to debtors where events or changes in circumstances indicate that the carrying amounts may not be recoverable. The directors specifically analyse historical bad debts, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the provision for doubtful debts. Where the expectation is different from the original estimate, such difference will impact the carrying value of debtors and the charge in the profit and loss account.

Leases

The directors of the company determines whether leases entered into are an operating lease or a finance lease. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the company on a lease by lease basis based on an evaluation of the terms and conditions of the arrangements, and accordingly whether the lease requires an asset and a liability to be recognised in the balance sheet.

Provisions

A provision is recognised when the company has a present legal or constructive obligation as a result of a past event for which it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flow at a rate that reflects the time value of money and the risks specific to the liability.

Whether a present obligation is probable or not requires judgment. The nature and type of risks for these provisions differ and management's judgment is applied regarding the nature and extent of obligations in deciding if an outflow of resources is probable or not.

Taxation

There are many transactions and calculations for which the ultimate tax determination is uncertain. The company recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due.

DATAPATH LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**3. Turnover**

The whole of the turnover is attributable to the company's principal activity.

Analysis of turnover by country of destination:

	2020 £	2019 £
United Kingdom	1,907,485	2,298,920
Europe	12,990,405	12,183,457
Rest of the World	12,746,565	11,927,487
	<u>27,644,455</u>	<u>26,409,864</u>

4. Exceptional items

	2020 £	2019 £
Professional fees	-	421,402
Impairment of intangible assets	-	596,908
	<u>-</u>	<u>1,018,310</u>

During the prior year the company incurred exceptional professional fees in relation to the future development of the business.

Development costs in relation to a new product were fully impaired during the prior year as the product was discontinued.

5. Operating profit

The operating profit is stated after charging/(crediting):

	2020 £	2019 £
Amortisation of intangible assets	9,700	9,700
Depreciation of tangible fixed assets	134,030	126,826
Operating lease expense	229,008	225,031
Difference on foreign exchange	(457,732)	(284,945)
Research and development (excluding any directors' emoluments)	1,556,772	2,629,325
Auditor's remuneration	21,125	19,350
	<u>21,125</u>	<u>19,350</u>

DATAPATH LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**6. Employees**

Staff costs, including directors' remuneration, were as follows:

	2020 £	2019 £
Wages and salaries	4,677,359	5,282,384
Social security costs	450,463	533,222
Pension costs	448,727	407,215
	<u>5,576,549</u>	<u>6,222,821</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2020 No.	2019 No.
Directors	6	7
Sales	16	16
Administration	8	7
Production	85	76
	<u>115</u>	<u>106</u>

7. Directors' remuneration

	2020 £	2019 £
Directors' emoluments	603,755	689,342
Company contributions to defined contribution pension schemes	3,619	6,979
Amounts paid to third parties in respect of directors' services	188,836	270,957
	<u>796,210</u>	<u>967,278</u>

During the year retirement benefits were accruing to no directors (2019: NIL) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £200,979 (2019: £225,975).

DATAPATH LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

8. Taxation

	2020 £	2019 £
Corporation tax		
Current tax on profits for the year	482,926	279,688
Adjustments in respect of prior periods	(31,442)	2
Total current tax	<u>451,484</u>	<u>279,690</u>
Deferred tax		
Origination and reversal of timing differences	223,516	(10,293)
Adjustments in respect of prior periods	-	217
Total deferred tax	<u>223,516</u>	<u>(10,076)</u>
Taxation on profit on ordinary activities	<u>675,000</u>	<u>269,614</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2019: lower than) the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	2020 £	2019 £
Profit on ordinary activities before tax	7,742,292	4,709,143
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	1,471,035	894,737
Effects of:		
Fixed asset differences	639	575
Expenses not deductible for tax purposes	7,220	82,773
Adjustments to corporation tax charge in respect of prior periods	(31,442)	2
Adjustments to deferred tax charge in respect of prior periods	-	217
Enhanced relief for research and development expenditure	(775,444)	(709,892)
Adjustment to the rate of deferred tax	2,992	1,202
Total tax charge for the year	<u>675,000</u>	<u>269,614</u>

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

DATAPATH LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

9. Dividends

	2020 £	2019 £
Ordinary shares	11,200,000	-

10. Intangible assets

	Patents £	Development costs £	Intellectual property £	Total £
Cost				
At 1 April 2019	96,997	596,908	1,727,821	2,421,726
Own work capitalised	-	1,580,041	-	1,580,041
At 31 March 2020	96,997	2,176,949	1,727,821	4,001,767
Amortisation				
At 1 April 2019	9,700	596,908	-	606,608
Charge for the year	9,700	-	-	9,700
At 31 March 2020	19,400	596,908	-	616,308
Net book value				
At 31 March 2020	77,597	1,580,041	1,727,821	3,385,459
At 31 March 2019	87,297	-	1,727,821	1,815,118

DATAPATH LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

11. Tangible fixed assets

	Plant and machinery £	Fixtures and fittings £	Total £
Cost			
At 1 April 2019	838,106	229,629	1,067,735
Additions	172,584	32,952	205,536
Disposals	(42,418)	-	(42,418)
At 31 March 2020	<u>968,272</u>	<u>262,581</u>	<u>1,230,853</u>
Depreciation			
At 1 April 2019	721,204	169,609	890,813
Charge for the year	100,588	33,442	134,030
Disposals	(42,418)	-	(42,418)
At 31 March 2020	<u>779,374</u>	<u>203,051</u>	<u>982,425</u>
Net book value			
At 31 March 2020	<u>188,898</u>	<u>59,530</u>	<u>248,428</u>
At 31 March 2019	<u>116,902</u>	<u>60,020</u>	<u>176,922</u>

12. Stocks

	2020 £	2019 £
Raw materials	1,719,576	1,785,906
Finished goods	2,554,010	2,984,690
	<u>4,273,586</u>	<u>4,770,596</u>

Stock recognised in cost of sales during the year as an expense was £11,909,579 (2019: £11,573,762).

An impairment gain of £1,742 (2019: impairment charge of £104,036) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

DATAPATH LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

13. Debtors

	2020 £	2019 £
Trade debtors	2,507,205	2,422,127
Amounts owed by group companies	19,325,901	18,746,894
Other debtors	301,886	303,889
Prepayments and accrued income	152,300	174,674
	<u>22,287,292</u>	<u>21,647,584</u>

An impairment gain of £3,135 (2019: impairment loss of £76,495) was recognised in administrative expenses against trade debtors during the year.

14. Creditors: Amounts falling due within one year

	2020 £	2019 £
Trade creditors	1,049,652	974,708
Corporation tax	483,499	39,688
Taxation and social security	167,430	158,172
Other creditors	32,235	184,833
Accruals and deferred income	667,982	667,328
	<u>2,400,798</u>	<u>2,024,729</u>

DATAPATH LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

15. Deferred taxation

	2020 £
At beginning of year	25,434
Charged to the profit and loss account	223,516
At end of year	248,950

The provision for deferred taxation is made up as follows:

	2020 £	2019 £
Accelerated capital allowances	302,237	27,649
Short term timing differences	(53,287)	(2,215)
	<u>248,950</u>	<u>25,434</u>

16. Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
20 Ordinary shares of £1 each	20	20

17. Reserves

Capital redemption reserve

The capital redemption reserve represents the company's acquisition of its own shares in a previous financial period.

Profit and loss account

The profit and loss account represents accumulated profits and losses for prior periods less dividends paid.

18. Pension commitments

The company operates a defined contribution pension scheme for its employees. The assets of the scheme are held separately from those of the company in independently administered funds. The pension charge represents contributions payable by the company to the funds and amounted to £445,108 (2019: £407,215).

DATAPATH LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**19. Commitments under operating leases**

At 31 March 2020 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2020 £	2019 £
Not later than 1 year	170,000	170,000
Later than 1 year and not later than 5 years	368,333	538,333
	<u>538,333</u>	<u>708,333</u>

20. Related party transactions

As the company is a wholly owned subsidiary of a company whose consolidated accounts include the results of the subsidiary and are publicly available, the company has taken advantage of the FRS 102 Section 33.1a exemption from disclosing transactions with group undertakings.

During the year, an Investor Director fee of £25,545 (2019: £25,544) was paid to VCF Partners, a business connected with Foresight Group LLP, which acts as investment manager to Foresight Funds. An Investor Director of the Group Company is a member of Foresight Group LLP.

Two directors of Datapath Limited invoiced the company for their services which totalled £188,836 (2019: £270,957). At the year end £Nil (2019: £Nil) was outstanding and is included in trade creditors.

21. Ultimate parent undertaking and controlling party

The company's immediate parent undertaking is Datapath Holdings Limited and the ultimate parent undertaking is Datapath Group Limited.

In the opinion of the directors of Datapath Group Limited there is no ultimate controlling party.

The parent undertaking of the largest and smallest group for which consolidated accounts are prepared is Datapath Group Limited. Consolidated accounts are available from Companies House, Cardiff, CF14 3UZ.