IndigoVision Limited

Directors' report and financial statements
31 December 2018

Registered number SC150401

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Strategic report

Strategy
The Company's strategy to grow its market share and profitability is to increase and improve the quality of its sales presence in key geographies, develop differentiated products in collaboration with other software developers to meet the growing demand for cyber security and intelligent video security systems, work closely with our OEM partners, improve productivity and efficiency and control costs.

Sales
During the year the significant investment made in strengthening the Company's sales presence in North America in 2017, in particular in the United States, has begun to yield results.

In addition, the number of authorised system integrators that resell the Company's products has increased by 10% during the year. Furthermore, following the development of new products targeted at small and medium sized enterprises, the Company has opened up a new value added reseller channel, with 19 new distributors located in strategic markets.

Product roadmap
The Company's current product range has been reviewed and repositioned to be more competitive. New products in the pipeline have also been assessed to ensure that priority is given to the benefits and features that our customers need and to focus on cyber security and artificial intelligence. Relationships with third party software developers have also been strengthened during the year.

Relationship with equipment suppliers
The Company is working closely with hardware equipment suppliers to provide customers with the best integrated end-to-end solutions for their security needs, allowing them to take maximum advantage of IndigoVision's software. In September 2018, the US Government introduced a 10% tariff on cameras manufactured in China and, due to the ongoing bi-lateral trade negotiations between the two countries, this tariff increased to 25% in May 2019. In response to this change, the Company's primary camera supplier has opened a production facility in Central America and the Company has broadened its supply chain to offer cameras manufactured in other parts of Asia, both of which initiatives should mitigate the impact of any incremental duties.

BREXIT
Whilst the majority of the Company's products are manufactured outside the European Union, certain network video recorders are manufactured within the EU. The Company has plans to increase inventory within its UK warehouse and has developed contingency plans to minimise supply interruption in the event of a no-deal Brexit. With supply locations in the UK, USA and Malaysia, the Company has inherent flexibility within its supply chain to enable it to meet customer demand throughout any transitionary arrangements after 31 October 2019.

Results
Revenue in the year ended 31 December 2018 was $46.0m. Overall revenues were $3.9m (9%) higher than 2017 ($42.1m, as restated for the adoption of IFRS 15).

Regional sales performance continues to be mixed, with revenue growth of 45% in APAC, 8% growth in North America (including 20% growth in the USA), 5% growth in EMEA, but a 9% decline in Latin America.

Encouragingly, gross margin improved substantially in the year to 57.4% from 54.0% in 2017, continuing the upward trend seen since the latter half of 2016. This was achieved, primarily, by increased software sales, improved warranty cost management and a shift towards more profitable geographic markets.

The overall result for the year was an operating loss of $0.02m (2017: $2.61m). The operating loss before exceptional items was $0.02m (2017: $2.21m). Included within these results were professional fees of $0.2m in relation to acquisitions which were not completed (2017: $nil) and an FX gain of $0.5m (2017: $0.3m). The first time adoption of IFRS 15 has increased the 2018 operating loss by $0.3m (2017: nil), through the net deferral of extended warranty income to subsequent periods.

Principal Risks and Uncertainties

The Board, through the Audit Committee, regularly reviews the risks and uncertainties to which the Company is exposed. The Board assesses risk within three categories, Macro-economic/Geo-political, Industry and Group-specific risks. It allocates a risk-rating based upon probability and potential impact and assesses the mitigating actions that the Company can take to mitigate such risks. During 2018, the escalation of the trade war between the USA and China and the lack of certainty over the Brexit negotiations have increased the likelihood of cross-border tariffs and potential supply chain disruption in 2019.

The principal risks and uncertainties affecting the business and the measures taken to mitigate their impact include the following:

Product and technology risk
All new technologies and products involve business risk both in terms of possible abortive expenditure, risk to reputation and potential customer claims. Such risks may materially impact the Company. Appropriate measures are taken to control quality throughout the testing and qualification process and the Company has continued to improve its "New Product Introduction" procedures to minimise these risks.

Competitive risk
The Company competes against both a small number of global and local suppliers of end-to-end networked video solutions in addition to a large number of video hardware-only and video software-only providers. Product innovations, technical advances, global reach and price pressure by significantly larger competitors, together with a trend towards consolidation within the industry, could adversely affect the Company. The geographical diversity of operations reduces the possible effect of action by any single competitor. The Company values product quality and customer service as competitive differentiators and continually strives to optimise the customer experience. The Company invests directly in research and development in order to sustain a competitive advantage and also works continually to ensure that its product range is competitive.

Litigation risk
The Company takes precautions to seek to ensure that its products do not infringe third party intellectual property or other rights. However, given that the fields of video and audio technology are heavily patented, there remains a risk that the Company may be the subject of third party claims of intellectual property right infringement. The Company was an early entrant into the video security market and holds significant prior art should a claim be made and seeks to work with third party manufacturers who have licences for such technology.

Supply chain and distribution risk
The Company sources component parts from a number of global suppliers and avoids single points of supply wherever possible. The Company sub-contracts the manufacturer of its goods to large manufacturers in Asia, with factories in multiple locations, as well as established European manufacturers, and operates three main distribution hubs to reduce the risk of disruption to supply to its customers. The Company obtained Authorised Economic Operator (AEO) status from the European Commission in April 2010, and seeks to work with supply partners that are also AEO accredited, or whose procedures and practices meet the required standards, to minimise risk of operating a global supply chain.

Brexit
The UK is currently scheduled to leave the European Union on 31 October 2019. In the event of a no-deal Brexit, there is likely to be significant disruption to cross-border trade and the possible introduction of new tariffs. The Company trades in a broad range of geographical markets and its sales to customers in the European Union (excluding the UK) currently account for less than 20% of revenue. In response to this Brexit uncertainty, the Company has been actively managing inventory levels within its UK based supply hub to ensure that they are sufficient to cope with the impact of cross-border delays and has developed contingency plans to minimise any potential disruption to supply.

Global trade relationships

The USA is the largest security market in the world and is a key, strategic market for the Company. The recent introduction of tariffs on Chinese products entering the US market (currently 25%) and the ongoing US Government concerns regarding Chinese technology being utilised in critical infrastructure and national security applications as set out in the US Government's National Defense Authorization Act 2019, may reduce demand or increase the cost of goods manufactured in China for sale in the US. The Company has mitigated this risk by working with its manufacturing partners to develop and supply a range of products manufactured outside of China, for sale into the US and certain other markets.

Customer risk

The Company sells its goods and services through a global authorised partner network. Potential new partners undertake a strict authorisation process, including thorough product training, to ensure the Company's products are installed and maintained to a high standard at end-user sites, and to minimise the risk to the Company's reputation in the market place. This is further supported by the Company's regional support teams who are available to assist in pre-sales and ongoing technical support. Potential new partners also undergo detailed credit checks and trade within authorised credit limits to minimise the Company's financial risk. In addition, the Company seeks to mitigate credit risk through the use of letters of credit and payments in advance where possible.

Foreign currencies exchange rate fluctuations

The Company monitors short and medium term exchange rates and purchases products and components in US dollars to match the major sales currency. The Company seeks to reduce exposure to foreign exchange risk through natural hedging of US dollar income and costs. The Company currently generates euro and Canadian dollar income in excess of euro and Canadian dollar costs, and has sterling costs in excess of sterling income. Foreign currency is purchased as necessary at spot rates. The Company's management does not currently use forward exchange contracts or other currency instruments at the present time, but continues to keep this under review. Sensitivity analysis associated with currency movements is detailed further in note 21 of the report and accounts.

Environmental risks

The Company seeks to ensure ongoing compliance with relevant legislation and strives to ensure that environmental best practice is incorporated into its key processes. The Company's ethical sourcing policy defines the environmental responsibilities throughout the supply chain. The Company fully complies with the European Union's 'Restriction of Hazardous Substances' and 'Waste Electrical and Electronic Equipment' directives.

The effect of legislation and other regulatory activities

The Company regularly monitors forthcoming and current legislation and taxation changes as they affect the Company.

Financial results

Revenue for the year ended 31 December 2018 was $46.0m (2017: $42.1m as restated for IFRS 15).

Gross margins were 57.4% (2017: 54.1%).

Operating loss for the year was $0.02m (2017: $2.61m).

The Company continues to benefit from research and development tax credits which gives rise to a current year tax credit of $0.3.m (2017: $0.2m). The profit after tax for the year was $0.29m (2017: $2.41m loss after tax).

Key performance indicators

Financial KPIs	**2018**	**2017**	**Measure**
Operating margin	(0.1)%	(6.2)%	Operating loss before financing costs/revenue
Annualised return on capital employed	(0.4)%	(17.2)%	Loss before tax/total assets less current liabilities
Current ratio	2.3	2.0	Current assets: current liabilities
Debtor days	65	86	Age profile of trade receivables
Creditor days	47	55	Age profile of trade payables

Cash and treasury

The net cash balance at period end was $1.8m (2017: $1.9m). Cash balances are mainly held in sterling, US dollars, euros and Canadian dollars.

Cash reserves in excess of current requirements are placed on a variety of term deposits. Term deposits are placed with banks from the list of the Company's approved institutions.

The Company reviews its treasury and foreign currency policies on a regular basis.

Employees

The continuing success of the Company primarily depends on its employees across the world, who contribute daily to the achievement of the organisational goals. The Company respects its staff and recognises that they are its most valuable asset. The Company recruits and retains staff globally by offering challenging opportunities, competitive compensation packages and a good working environment.

The Company strives to provide a working environment which encourages continuous learning and development for all employees and is committed to effective investment in training and development to achieve its business goals. The Company conducts an annual staff engagement survey to gauge employees' professional and emotional commitment to the Company and to seek feedback to drive continuous improvement.

The Company is committed to employee involvement throughout the business and operates a number of share option, share incentive and long term incentive plans which were adopted in 2018, along with a variety of cash bonus schemes. The Company has established an employee benefit trust in connection with these share option plans.

Chris Lea

Director

9 August 2019

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2018.

Principal activities and business review

The principal activity of the Company continues to be the development, manufacture and sale of networked video security systems. The Company's software, cameras, encoders and network video recorders are designed both internally and with technology partners and manufactured in Asia and Europe. The Company's end-to-end IP video security systems allow full motion video to be transmitted worldwide, in real time, with digital quality and security, over local or wide area networks, wireless links or the internet, using market leading compression technology to minimise usage of network bandwidth.

Results and dividends

Pre-tax loss for the year was $0.1m (2017: $2.6m). Revenue for the year was $46.0m (2017: $42.1m).

During the year, the Company did not pay a dividend to IndigoVision Group plc (2017: $nil).

Branches

The Company operates a branch in Dubai.

Political and charitable contributions

The Company made charitable donations of $209 (2017: $1,313) and no political contributions during the year (2017: $nil).

Directors

The directors who held office during the year were as follows:

Chris Lea	
Paul Theasby	(Appointed 24 January 2018, resigned 16 April 2019)
Pedro Simoes	(Appointed 19 December 2018)

The directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

By order of the board

Chris Lea
Secretary

Edinburgh
9 August 2019

Statement of directors' responsibilities in respect of the strategic report, the Directors' report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU 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 judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

Independent auditor's report

To the members of IndigoVision Limited

Opinion

We have audited the financial statements of IndigoVision Limited (the 'company') for the year ended 31 December 2018 which comprise income statement, balance sheet, statement of changes in equity, statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union;
- 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

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.

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. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

Responsibilities of directors
As explained more fully in the directors' responsibilities statement set out on page 7, 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: http://www.frc.org.uk/auditorsresponsibilitiesThis 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.

Alan Aitchison (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Third Floor, Centenary House
69 Wellington Street
Glasgow
G2 6HG

9 August 2019

Income statement

For the year ended 31 December 2018

	Note	2018 $'000	2017 Restated* $'000
Revenue	3	**45,964**	42,077
Cost of sales		**(19,567)**	(19,300)
Gross profit		**26,397**	22,777
Research and development expenses		**(3,310)**	(3,086)
Selling and distribution expenses		**(19,600)**	(18,736)
Administrative expenses		**(3,967)**	(3,912)
Foreign exchange gain		**459**	348
Operating loss	4	**(21)**	(2,609)
Analysed as:			
Underlying loss for the period attributable to equity holders of the parent		**(21)**	(2,213)
Exceptional salary costs	4	**-**	(396)
Financial expense	6	**(40)**	(28)
Loss before tax		**(61)**	(2,637)
Income tax credit	7	**346**	228
Profit/(loss) for the year		**285**	(2,409)

Analysed as:			
Underlying profit/(loss) for the period attributable to equity holders of the parent		**285**	(2,013)
Exceptional salary costs	4	**-**	(396)

*See note 2 for details regarding the restatement as a result of the correction of a prior year misstatement.

Revenue and loss after tax for the year and comparative period relate wholly to continuing activities.

There were no recognised gains or losses for the year or preceding period other than those shown above. Accordingly no Statement of Other Comprehensive Income has been presented.

Balance sheet

As at 31 December 2018

	Note	2018 $'000	2017 Restated* $'000
Non-current assets			
Property, plant and equipment	8	**814**	1,159
Intangible assets	9	**350**	349
Investment in subsidiary	10	**9**	9
Deferred tax	11	**1,732**	1,846
Total non-current assets		**2,905**	3,363
Current assets			
Inventories	12	**7,991**	8,911
Trade and other receivables	13	**14,406**	12,909
Cash and cash equivalents	14	**1,843**	1,909
Total current assets		**24,240**	23,729
Total assets		**27,145**	27,092
Current liabilities			
Trade and other payables	15	**(10,570)**	(11,630)
Provisions	16	**(138)**	(138)
Total current liabilities		**(10,708)**	(11,768)
Non-current liabilities			
Provisions	16	**(45)**	(45)
Other non-current liabilities	17	**(1,936)**	(1,117)
Total non-current liabilities		**(1,981)**	(1,162)
Total liabilities		**(12,689)**	(12,930)
Net assets		**14,456**	14,162
Equity			
Called up share capital	18	**398**	398
Share premium account		**8,434**	8,434
Capital contribution reserve		**2,542**	2,517
Special reserve		**760**	760
Profit and loss account		**2,322**	2,053
Total equity attributable to equity holders of the parent		**14,456**	14,162

*See note 2 for details regarding the restatement as a result of the correction of a prior year misstatement.

These financial statements were approved by the Board of Directors on 9 August 2019 and were signed on its behalf by:

Chris Lea
Director

Pedro Simoes
Director

Statement of changes in equity

For the year ended 31 December 2018

	Share capital	Share premium	Capital contribution reserve	Special reserve	Restated* Retained earnings	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2017	398	8,434	2,421	760	4,474	16,487
Loss for the year	-	-	-	-	(2,409)	(2,409)
Equity-settled transactions, including deferred tax effect	-	-	96	-	(12)	84
Balance at 31 December 2017	398	8,434	2,517	760	2,053	14,162
Profit for the year	-	-	-	-	285	285
Equity-settled transactions, including deferred tax effect	-	-	25	-	(16)	9
Balance at 31 December 2018	**398**	**8,434**	**2,542**	**760**	**2,322**	**14,456**

*See note 2 for details regarding the restatement as a result of the correction of a prior year misstatement.

Statement of cash flows

For the year ended 31 December 2018

	2018 $'000	2017 *Restated $'000
Cash flows from operating activities		
Profit/(loss) for the year	**285**	(2,409)
Adjusted for:		
Depreciation and amortisation	**684**	706
Financial expense	**40**	28
Share based payment expense	**9**	84
Foreign exchange gain	**(460)**	(348)
Loss/(gain) on disposal of property, plant and equipment	**26**	(18)
Income tax credit	**(346)**	(228)
Decrease/(increase) in inventories	**920**	(864)
Increase in trade and other receivables	**(1,497)**	(550)
(Decrease)/increase in trade and other payables	**(241)**	1,177
Cash absorbed by from operations	**(580)**	(2,422)
Income taxes received	**-**	-
Net cash outflow from operating activities	**(580)**	(2,422)
Cash flows from investing activities		
Interest received	**1**	12
Acquisition of property, plant and equipment	**(233)**	(720)
Acquisition of intangible assets	**(133)**	(413)
Proceeds from the sale of fixed assets	**-**	74
Net cash outflow from investing activities	**(365)**	(1,047)
Cash flows from financing activities		
Interest paid	**(41)**	(40)
Net cash outflow from financing activities	**(41)**	(40)
Net decrease in cash and cash equivalents	**(986)**	(3,509)
Cash and cash equivalents at start of period	**1,909**	5,002
Effect of exchange rate fluctuations on cash held	**920**	416
Cash and cash equivalents at 31 December	**1,843**	1,909

*See note 2 for details regarding the restatement as a result of the correction of a prior year misstatement.

Notes to the financial statements

1. Significant accounting policies

IndigoVision Limited (the "Company") is a private company limited by shares and is domiciled and registered in Scotland. The registered address is Charles Darwin House, The Edinburgh Technopole, Edinburgh, EH26 0PY.

The Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

The financial statements were authorised for issue by the directors on 9 August 2019.

(a) Statement of compliance
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union ("Adopted IFRSs").

(b) New Accounting Standards and Interpretations adopted
The Company has adopted all of the new or amended Accounting Standards and Interpretations issued by the International Accounting Standards Board ('IASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the Company:

(i) IFRS 9 Financial Instruments
The Company has adopted IFRS 9 from 1 January 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

(ii) IFRS 15 Revenue from Contracts with Customers
The Company has adopted IFRS 15 from 1 January 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below.

Notes to the financial statements

1. Significant accounting policies (continued)

Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

The impact on the financial performance and position of the Company from the adoption of these Accounting Standards is detailed in note 2.

(c) Basis of preparation

(i) Functional currency
The Company's earnings stream is primarily US dollars and the principal functional currency is the US dollar, being the most representative currency of the Company. The Company's financial statements are therefore prepared in US dollars.

The exchange rates used in the preparation of these financial statements are stated in note 21. They are prepared on the historical cost basis.

(ii) Going Concern
The Company is a subsidiary of Indigovision Group plc and party to the group's facilities along with other subsidiaries through cross guarantees. In the directors opinion the performance of the group as a whole together with the group facilities is appropriate when considering going concern rather than the performance of the Company in isolation.

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report and Directors' Report on pages 2 to 6. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the Directors' Report. In addition, note 21 to the financial statements includes the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

As part of its going concern review the Board has followed the guidelines published by the Financial Reporting Council entitled 'Going Concern and Liquidity Risk Guidance for UK Companies 2009'. In determining the appropriate basis of preparing the financial statements, the directors are required to consider whether the Company can continue in operational existence for the foreseeable future, being a period of not less than 12 months from the date of the approval of the financial statements. As at 31 December 2018 the Group had cash and cash equivalents of $2.0m and net current assets of $15.4m.

Management prepares detailed working capital forecasts which are reviewed by the Board on a regular basis. Cash flow forecasts and projections have been prepared through to December 2020 and take into account sensitivities on revenues and costs. Having made relevant and appropriate enquiries, including consideration of the Company's and the Group's current cash resources and the working capital forecasts, the Directors have a reasonable expectation that the Company and the Group will have adequate cash resources to continue to meet the requirements of the business for at least the next 12 months. Accordingly, the Board continues to adopt the going concern basis in preparing the financial statements.

Notes to the financial statements

1. Significant accounting policies (continued)

The preparation of financial statements in conformity with adopted IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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 year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

Judgements made by management in the application of adopted IFRSs that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 26.

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

(d) Foreign currency
Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to US Dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction.

(e) Property, plant and equipment

(i) Owned assets
Items of property, plant and equipment are stated at cost less accumulated depreciation (see below). Cost includes expenditure that is directly attributable to the acquisition of the asset.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

(ii) Depreciation
Depreciation is charged to the income statement on a straight-line basis over the estimated useful life of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

• fixtures and fittings	5 - 10 years
• plant and equipment	3 - 5 years
• computer hardware	3 years
• demonstration equipment	2 years

The residual value, if not insignificant, and useful lives, are reassessed annually.

(iii) Finance lease assets
Leases under which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. Lease payments are accounted for as described below.

Notes to the financial statements

1. Significant accounting policies (continued)

(f) Intangible assets

(i) Research and development
Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

An internally generated intangible asset arising from the Company's product development is recognised only if all of the following conditions are met:

- an asset is created that can be identified;
- the project from which the asset arises meets the Company's criteria for assessing technical feasibility;
- it is probable that the asset created will generate future economic benefits, and
- the development cost of the asset can be measured reliably.

Internally generated intangible assets are amortised on a straight line basis over their useful lives. Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

(ii) Computer software
Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring into use the specific software. These costs are amortised using the straight line method over their estimated useful lives (1 to 3 years). Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

(g) Trade and other receivables
Trade and other receivables are stated at their fair value as reduced by appropriate allowances for specific estimated irrecoverable amounts and a general provision, where necessary, following the adoption of IFRS 9.

(h) Inventories
Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is based on the average cost principle and is the expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

(i) Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(j) Impairment
The carrying amounts of the Company's assets, other than inventories (see accounting policy g), trade and other receivables (see accounting policy f) and deferred tax assets (see accounting policy p), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see accounting policy i (i)).

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Notes to the financial statements

1. Significant accounting policies (continued)

(i) Calculation of recoverable amount
The recoverable amount of assets is the greater of their fair value less costs to sell and value in use. In assessing fair value, 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 an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversal of impairment
An impairment loss is reversed if there has been a positive change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(k) Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are shown in equity as a deduction from equity. Dividends are recognised as a liability in the year in which they are approved by shareholders.

(l) Employee benefits

(i) Defined contribution plans
Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

(ii) Share-based payment transactions
The share option programme allows eligible employees to acquire shares in IndigoVision Group plc. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

As the Company's parent grants rights to its equity instruments to the Company's employees, which are accounted for as equity-settled in the consolidated accounts of the parent, the Company accounts for these share-based payments as equity-settled with the increase being recorded as a capital contribution received.

Amounts recharged to the Company by the parent are recognised as a reduction in the capital contribution received. If the amount recharged exceeds the capital contribution received the excess is recognised as a negative capital contribution.

Notes to the financial statements

1. Significant accounting policies (continued)

(iii) Long term incentive plan
The IndigoVision Group plc 2008 and 2018 Long Term Incentive Plans (the LTIPs) enable grants of conditional awards of shares, nil-cost options over shares and nominal value options over shares to employees and executive directors of the Company. The grant date fair value of conditional shares and share option awards (including unitised awards under the 2018 LTIP) is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the shares. The fair value of the awards are measured using a valuation model, taking into account the terms and conditions upon which the LTIPs were granted.

(iv) Share Incentive Plans
The parent company has established a number of share incentive plans to enable all employees and sales agents to purchase or nationally purchase shares, as set out in note 19.

The Company's parent matches each share purchased through the UK Employee Scheme on a 1:1 basis. The fair value of the free matching share is measured using the Black-Scholes option valuation model, taking into account the terms and conditions upon which the shares were granted, and spreads the value over the 3 year vesting period.

The International Agents Incentive plan and the International Employee's Incentive Plan are cash settled plans. The Company's parent matches each share notionally purchased through these schemes on a 1:1 basis. The Company accounts for the liability for the free notional share by marking to market at each financial period end.

(m) Provisions
A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

A provision for warranties is recognised when the underlying products are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(n) Trade and other payables
Trade and other payables are not interest bearing and are stated at their fair value.

(o) Revenue
Revenue comprises income from the sale of goods, income from technical support activities, income from the sales of software upgrade contracts for between one and five years, royalty income earned during the period and excludes sales taxes.

(113) **Product revenues**
Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer, in line with individual incoterms, which is normally when the goods have been despatched from the warehouse or are available for customer collection.

(ii) Technical support activities
Revenue from technical support activities is recognised on completion of the service.

Notes to the financial statements

113. Significant accounting policies (continued)

(iii) Software Upgrade Contracts
Revenue from the sale of software upgrade contracts for between one and five years in length is deferred on the balance sheet and recognised in the income statement on a straight-line basis over the length of the contract.

(p) Expenses

(113) **Operating lease payments**
Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

(ii) Net financing expense
Net financing expense comprises interest payable on the loaned funds from IndigoVision Group plc ("the parent company") and on the overdraft facility less interest receivable on cash deposits.

(iii) Finance lease payments
Minimum lease payments are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(q) Income tax
The tax expense represents the sum of the current taxes payable and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

The current tax payable is based on taxable income for the year using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the asset recognised to be recovered. Deferred tax is calculated using tax rates that are enacted or substantially enacted at the balance sheet date.

Notes to the financial statements

1. Significant accounting policies (continued)

® New standards and interpretations not yet adopted

The 2018 financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The IASB and the IFRIC have also issued the following standards and interpretations with an effective date after the date of these financial statements:

New standards and Interpretations Endorsed but not yet Effective

1. IFRS 16 Leases (effective date 1 January 2019)

New standards and Interpretations not yet Endorsed and not yet Effective

- IFRS 14 Regulatory Deferral Accounts IFRIC 23
    - Uncertainty over Income Tax Treatments (effective date 1 January 2019)
- Amendments to IAS 28
    - Investments in Associates and Joint Ventures (effective date 1 January 2019)

A full assessment of the impact of the above standards and interpretations has yet to be made.

2. Restatement of comparatives

This note explains the impact of the adoption of IFRS 15 Revenue from Contracts with Customers on the Company's financial statements.

The Company has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in IFRS 15, the Group has adopted the new rules retrospectively and has restated comparatives for the 2017 financial year.

	Income statement as originally presented 31 December 2017 $000	IFRS 15 $000	**Restated income statement 31 December 2017 $000**
Revenue	42,308	(231)	**42,077**
Cost of sales	(19,531)	231	**(19,300)**

	Balance sheet carrying amount 31 December 2017 $000	Restatement $000	**IFRS 15 carrying amount 1 January 2018 $000**
Trade and other receivables	12,909	231	**13,140**
Trade and other payables	(12,730)	(231)	**(12,961)**

The above adjustments were made to the amounts recognised in the income statement and balance sheet as at the date of initial application (1 January 2018) and are in relation to the deferral of warranty income and the related costs. The adjustments do not impact the 2017 year reported profits or net assets.

Following an assessment of two years of allowances and recovery of bad debts, any additional impairment allowance relating to the IFRS 9 would be immaterial.

Notes to the financial statements

3. Revenue

	2018 $'000	Restated* 2017 $'000
Revenues from:		
Products/solutions	**33,599**	32,215
Support services	**35**	113
Software licences	**8,989**	6,808
Software upgrade contracts	**3,341**	2,941
	45,964	42,077

4. Operating loss

	2018 $'000	2017 $'000
Operating loss is stated after charging:		
Depreciation and amortisation	**684**	706
Exceptional salary costs[1]	**-**	396
Foreign exchange gain	**459**	348
Net write down of inventories to realisable value	**321**	379
Allowance for/recovery of doubtful trade receivables	**66**	(115)
Research & development expenditure	**3,310**	3,086
Share based payment expense	**25**	36
Fees payable to the Company's auditor:		
Audit of these financial statements	**20**	33
Tax compliance and advisory	**32**	15
All other services	**3**	12

[1] The exceptional salary costs relate to compensation and settlement payments made to the former CEO, Marcus Kneen, who resigned on 23 November 2017.

Notes to the financial statements

5. Staff Costs and numbers

	2018 $'000	2017 $'000
Wages and salaries	**6,035**	6,005
Compulsory social security contributions	**640**	691
Contributions to defined contribution plans	**512**	484
Equity-settled share based payment transactions	**25**	36
	7,212	7,216

The figures above include the directors' remuneration, including compensation for loss of office. Directors' emoluments are disclosed below.

	2018 $'000	2017 $'000
Average number of employees, including executive directors and excluding retained agents, by activity		
Selling and distribution	**36**	44
Research & Development	**35**	32
Administration	**24**	27
	95	103

	2018 $'000	2017 $'000
Remuneration of directors		
Directors emoluments, including compensation for loss of office	**393**	733
Company contributions to money purchase pension schemes	**35**	55
	433	788

	Number of directors	
	2018 Number	2017 Number
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	**2**	2
The number of directors who exercised share options	**-**	-

The aggregate emoluments of the highest paid director were $215,000 (2017: $542,000), and company pension contributions of $26,000 (2017: $30,000) were made to a money purchase scheme on the individual's behalf.

Notes to the financial statements

6. Financing income and expense

	2018 $'000	2017 $'000
Interest payable	**41**	40
Interest receivable	**(1)**	(12)
Net financing expenses	**40**	28

7. Income tax expense

Recognised in the income statement

	2018 $'000	2017 $'000
Current tax credit		
UK tax	**(336)**	(59)
Adjustments in respect of prior periods (current & inter-co)	**(126)**	-
Overseas tax	**-**	(10)
Adjustments in respect of prior periods (foreign tax)	**2**	-
	(460)	(69)
Deferred tax credit		
Origination and reversal of temporary differences	**-**	(180)
Reduction in tax rate	**-**	21
Adjustments relating to prior year trading losses	**114**	-
	114	(159)
Total income tax credit in income statement	**(346)**	(228)

Reconciliation of effective tax rate

	2018 $'000	2017 $'000
Loss before tax	**(61)**	(2,637)
Income tax using the UK corporation tax rate of 19% (2017: 19.25%)	**(12)**	(508)
Non-deductible expenses	**81**	33
Research & Development tax credit	**(433)**	(112)
Adjustments relating to prior year trading losses	**-**	-
Surrender of tax losses for R&D credit refund	**110**	179
Deferred tax not recognised	**132**	-
Adjustments to brought forward balances	**-**	22
Adjust deferred tax to average rate of 19%	**2**	-
Prior year adjustment – current tax	**(126)**	186
Overseas taxes payable	**-**	10
Other timing differences	**(97)**	(68)
Exchange rate	**(3)**	9
Effect of tax rate change on deferred tax asset	**-**	21
	(346)	(228)

Notes to the financial statements

8. Property, plant and equipment

	Plant and equipment	Fixtures and fittings	Computer hardware	Demo equipment	**Total**
	$'000	$'000	$'000	$'000	**$'000**
Cost					
Balance at 1 January 2017	1,627	1,053	1,278	1,196	**5,154**
Additions	237	8	150	325	**720**
Disposals	(28)	-	(1)	(524)	**(553)**
Balance at 31 December 2017	1,836	1,061	1,427	997	**5,321**
Additions	51	2	82	98	**233**
Disposals	-	-	-	(50)	**(50)**
Balance at 31 December 2018	1,887	1,063	1,509	1,045	**5,504**
Depreciation					
Balance at 1 January 2017	1,406	491	1,164	975	**4,036**
Depreciation charge for the year	174	115	85	249	**623**
Disposals	(7)	-	(1)	(489)	**(497)**
Balance at 31 December 2017	1,573	606	1,248	735	**4,162**
Depreciation charge for the year	145	112	81	214	**552**
Disposals	-	-	-	(24)	**(24)**
Balance at 31 December 2018	1,718	718	1,329	925	**4,690**
Net Book Value					
At 31 December 2017	263	455	179	262	**1,159**
At 31 December 2018	169	345	180	120	**814**

Included in the net book value of computer hardware are assets held under finance leases of $17,000 (2017: $34,000) after charging depreciation in the year of $17,000 (2017: $17,000).

The directors have considered the value of the fixed assets of the Company and are satisfied that the aggregate value of these assets at the time in question was not less than the aggregate amount at which they are stated above.

Notes to the financial statements

9. Intangible assets

	Intangible assets under Construction	Computer software	Total
	$'000	$'000	$'000
Cost			
Balance at 1 January 2017	-	560	**560**
Additions	-	413	**413**
Disposals	-	(19)	**(19)**
Balance at 31 December 2017	-	954	**954**
Additions	133	-	**133**
Disposals	-	-	**-**
Balance at 31 December 2018	133	954	**1,087**
Amortisation and impairment losses			
Balance at 1 January 2017	-	541	**541**
Amortisation for the year	-	83	**83**
Disposals	-	(19)	**(19)**
Balance at 31 December 2017	-	605	**605**
Amortisation for the year	-	132	**132**
Disposals	-	-	**-**
Balance at 31 December 2018	-	737	**737**
Net book value			
At 31 December 2017	-	349	**349**
At 31 December 2018	133	217	**350**

Notes to the financial statements

10. Investments in subsidiaries

	2018 $'000	2017 $'000
Cost		
At end of period	**9**	9

IndigoVision Limited owns 100,000 common stock shares of $0.01 (100%) of IndigoVision Inc, a company incorporated in the USA; 1 ordinary share of $1 (100%) of IndigoVision Pte Ltd, a company incorporated in Singapore; share capital of 24,000 Macau Patacas (100%) of IndigoVision Video Security Solutions, a company incorporated in Macau; and 1 ordinary share of $1 (100%) of IndigoVision Australia Pty Ltd, a company incorporated in Australia. The principal activity of all these companies is the marketing of the Company's products. IndigoVision Limited also owns 9,999 ordinary shares of 1 Brazillian Real (99.99%) of IndigoVision Soluções de Segurança Eletrônica Ltda. The principal activity of this company is product repair and warehousing.

IndigoVision Pte Ltd owns 1 ordinary share of RMB 1,000,000 (100%) of IndigoVision Security Systems (Shanghai) Co.,Ltd, a company incorporated in China. The principal activity of this company is the marketing of the Company's products.

All subsidiaries

	Registered office address	**Country of incorporation**	**Ownership interest 2018 %**	**Ownership interest 2017 %**
IndigoVision Inc	300 Broadacres Drive, 4th Floor, Unit 415, Bloomfield, NJ 07003 -3153, United States of America	United States of America	**100**	100
IndigoVision Pte Ltd	80 Robinson Road, #02-00, Singapore, 068898	Singapore	**100**	100
IndigoVision Video Security Solutions Limited.	Avenida da Praia Grande, n.° 815, 4° andar, Edificio Centro Comercial Talento, Macau	Macau	**100**	100
IndigoVision Solucoes De Seguranca Eletronica Ltda.	Rua Cerro Cora, Numero 1.306, Vila Romana ,Sao Paulo, Brazil, 05061-200	Brazil	**100**	100
IndigoVision Australia Pty Ltd	Level 5, Deutsche Bank Place, 126 Phillip Street, Sydney, New South Wales, 2000	Australia	**100**	100
Indigo Vision Security System (Shanghai) Co., Ltd	465 Zhenning Road, 161-3-385, Changning District, Shanghai	China	**100**	100

Notes to the financial statements

11. Deferred tax assets and liabilities

Recognised deferred tax assets

Deferred tax assets are attributable to the following:

	2018 $'000	2017 $'000
Employee benefits – share based payments	**24**	24
Value of tax losses carried forward	**1,671**	1,785
Depreciation in excess of capital allowances	**32**	32
Other timing differences	**5**	5
Tax assets	**1,732**	1,846

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in the current period in respect of the following items:

	2018 $'000	2017 $'000
Tax losses – UK	**3,009**	3,407
Tax losses – Non UK	**-**	-
Tax assets	**3,009**	3,407

Movement in temporary differences during the year

	1 January 2017 $'000	Recognised in income $'000	31 December 2017 $'000
Employee benefits – share-based payments	24	-	24
Tax value of losses carried forward	1,626	159	1,785
Depreciation in excess of capital allowances	32	-	32
Other timing differences	5	-	5
	1,687	159	1,846

	1 January 2018 $'000	**Recognised in income $'000**	**31 December 2018 $'000**
Employee benefits – share-based payments	**24**	**-**	**24**
Tax value of losses carried forward	**1,785**	**(114)**	**1,671**
Depreciation in excess of capital allowances	**32**	**-**	**32**
Other timing differences	**5**	**-**	**5**
	1,846	**(114)**	**1,732**

Tax losses

Substantial tax losses are available for offset against future taxable profits. At 31 December 2018 such losses amounted to $27.2m (2017: $27.2).

Notes to the financial statements

12. Inventories

	2018 $'000	2017 $'000
Raw materials and consumables	**234**	1,057
Finished goods	**7,757**	7,854
	7,991	8,911

The write-down of inventories to net realisable value amounted to $321,000 (2017: $379,000). In the 12 month period, raw material, consumables and changes to finished goods recognised as cost of sales amounted to $19.4m (2017: $19.4m).

13. Trade and other receivables

	2018 $'000	2017 $'000
Trade receivables	**11,903**	10,779
Other receivables	**2,021**	1,498
Prepayments and accrued income	**482**	632
	14,406	12,909

The Company's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 21.

14. Cash and cash equivalents

	2018 $'000	2017 $'000
Bank balances	**1,843**	1,909

The Company's exposure to interest rate risk is disclosed in note 21.

15. Trade and other payables

	2018 $'000	2017 $'000
Trade payables	**5,115**	6,043
Taxation and social security	**229**	398
Finance lease assets: due within one year	**13**	19
Other payables	**173**	402
Accruals and deferred income	**3,268**	2,737
Amounts owed to group companies	**1,772**	2,031
	10,570	11,630

Notes to the financial statements

16. Provisions

Product warranties	2018 $'000	2017 $'000
Balance at start of period	**183**	183
Provision made during the period	**479**	796
Provision used during the period	**(479)**	(796)
Balance at end of period	**183**	183
Non-current	**45**	45
Current	**138**	138
	183	183

The provision relates to possible claims on products sold during the two year warranty period granted at the point of sale. The provision has been based on analysis of product introductions and instances of actual goods returned, and is expected to be utilised within the next two years.

17. Other non-current liabilities

	2018 $'000	2017 $'000
Finance lease assets: due in more than one year	**-**	14
Deferred income	**1,600**	1,100
Extended warranty	**333**	-
International Agents Incentive Plan	**3**	3
	1,936	1,117

18. Capital and reserves

Share capital

	Ordinary shares	
	2018 $'000	2017 $'000
Allotted called up and fully paid		
2,429,042 ordinary shares of 10p	**398**	398

The holders of ordinary shares are entitled to one vote per share at meetings of the Company and are entitled to receive dividends as recommended by the Directors. The holders of ordinary shares also have an unlimited right to share in the surplus remaining on winding up after all creditors are satisfied.

Notes to the financial statements

18. Capital and reserves (continued)

Special reserve

The Special reserve account represents the balance held by the Company for creditor protection following the court ruling on 27 June 2008 allowing the transfer of £26,788,184 of the share premium account to distributable reserves.

Capital contribution reserve

The capital contribution reserve represents IFRS 2 share based payment charges, $25,000 was recognised for the year ended 31 December 2018 (2017: $36,000).

Dividends

No interim dividend (2017: nil) was paid during the year. No final dividend was declared by the directors (2017: nil).

19. Share based payments

Share Option Schemes

IndigoVision Group plc ("the parent company") has established a number of share option schemes that entitle Directors, senior management and other employees to purchase shares in the Company. Grants have been made of share options in the period from 2000 to date.

The Tax Advantaged Share Option Schemes

The parent company currently operates two tax advantaged, discretionary share options schemes: The 2008 Approved Share Option Scheme and the 2018 Company Share Option Scheme, with the latter being introduced during the year to replace the former, which had reached the end of its ten year life.

During 2017, the parent company also operated the now terminated 2000 Approved Share Option Scheme.

Under these plans (which are intended to satisfy certain legislative requirements) the Remuneration Committee may grant selected eligible employees in the United Kingdom tax advantaged share options up to certain specified statutory limits.

The Unapproved Share Option Schemes

The parent company has two "unapproved" share option schemes (being arrangements that are not intended to benefit from any particular tax advantages in the UK): The 2008 Unapproved Share Option Scheme and the 2018 Employee Share Option Scheme, with the latter being introduced during the year to replace the former, which had reached the end of its ten year life.

Under these plans the remuneration committee may grant selected eligible employees options that exceed the value limit of the HM Revenue and Customs tax advantaged share option plans. Options granted under this scheme may be exercised between three and ten years from the grant date. The scheme is open to all employees.

Stand-Alone Option Agreements

The remuneration committee of the parent company has sole discretion to grant share options through stand-alone option agreements to sales agents or other consultants or advisors to the Company. The remuneration committee can determine the terms and conditions that apply to each agreement.

The Long Term Incentive Plan (LTIP) 2008

On 3 June 2008, the parent company established the IndigoVision Group plc 2008 Long Term Incentive Plan. This plan is intended to award share options and/or conditional share awards to selected employees of the Company.

Notes to the financial statements

19. Share based payments (continued)

The Share Incentive Plan 2010 (SIP)

On 10 August 2010, the parent company established the IndigoVision Group plc Share Incentive Plan 2010, which is approved by HM Revenue and Customs and open to all employees in the United Kingdom. Under the HM Revenue & Customs approved limits, employees may purchase from a minimum of £10 to a maximum of £150 worth of shares per month from a deduction made from gross pay. The parent company matches each share purchased by employees on a 1:1 basis. Employees may redeem their shares at anytime; however, if this is before the third anniversary of the purchase, the parent company's matching shares will be forfeited. The SIP scheme is administered by the Yorkshire Building Society.

The Employee Benefit Trust

On 3 June 2008, in connection with establishing the Long Term Incentive Plan, the parent company established the IndigoVision Group plc Employee Benefit Trust for the purpose of encouraging and facilitating the acquisition and holding of shares in the parent company for the benefit of employees of the Group. As at 31 December 2018, 132,000 shares in the parent company had been acquired by the Employee Benefit Trust.

The Long Term Incentive Plan (LTIP) 2018

On 24 October 2018, the parent company established the IndigoVision Group plc 2018 Long Term Incentive Plan. Under the New LTIP, selected individuals were given the opportunity to share in a proportion of a "pool" of Ordinary Shares that is equal to 20% of the parent company's entire issued share capital.

The amount of this pool that is actually distributed amongst participants is entirely dependent on the level of earnings per share ("EPS") that the parent company delivers in its 2021 financial year. In particular:

- the whole of the pool will be available for distribution to participants if the 2021 EPS figure is equal to or greater than $1.00;
- for EPS of $0.20 or less, no part of the pool will be distributed (and all awards will immediately lapse); and
- for performance between these two levels, the amount of the pool available to participants will be calculated by reference to a sliding scale (from 0% to 100%) that is more heavily weighted towards superior performance levels.

The shares to which a participant in the 2018 LTIP becomes entitled following the assessment of the above performance condition will be subject to further holding periods over the financial years ending 31 December 2022, 2023 and 2024. If the EPS in any of these subsequent years falls below the level delivered in 2021, a portion of the participant's award will immediately lapse and cease to exist.

On 21 November 2018, the following awards were made under the 2018 LTIP:

	Number of units
Pedro Simoes	**375**
Chris Lea	**375**
Paul Theasby	**250**

Notes to the financial statements

19. Share based payments (continued)

Share option plans

The terms and conditions of grants are as follows, whereby all options are settled by physical delivery of shares:

Grant date	Number of instruments originally granted	Vesting conditions	Contractual life of options
The 2008 Approved Share Option Plan			
29 April 2010	3,234	3 years from date of grant	10 years
20 April 2012	3,000	3 years from date of grant	10 years
9 January 2013	3,000	3 years from date of grant	10 years
19 December 2013	7,699	3 years from date of grant	10 years
26 March 2015	6,778	3 years from date of grant	10 years
The 2008 Share Option Plan			
29 April 2010	1,766	3 years from date of grant	10 years
19 December 2013	2,801	3 years from date of grant	10 years
26 March 2015	9,222	3 years from date of grant	10 years
The Stand-Alone Option Agreements			
19 December 2013	48,000	Individually determined (typically 3 years)	10 years
26 March 2015	75,000	Individually determined (typically 3 years)	10 years
15 March 2017	50,000	Individually determined (typically 3 years)	10 years
The Long Term Incentive Plan			
26 March 2015	28,800	Individually determined (typically 3 years)	10 years
26 March 2015	140,500	Individually determined (typically 3 years)	10 years
15 March 2017	280,000	Individually determined (typically 3 years)	10 years
20 October 2017	100,000	Individually determined (typically 3 years)	10 years

Notes to the financial statements

19. Share based payments (continued)

The number and weighted average exercise prices of unexercised share options are as follows:

	2018		2017	
	Weighted average exercise price £	**Number of options**	Weighted average exercise price £	Number of options
The 2000 Approved Share Option Plan				
Outstanding at the beginning of the period	-	-	8.48	5,500
Forfeited during the period	-	-	8.48	(5,500)
Exercised during the period	-	-	-	-
Outstanding at the end of the period	-	-	-	-
The 2008 Approved Share Option Plan				
Outstanding at the beginning of the period	**3.75**	**24,711**	3.70	33,246
Granted during the period	-	-	-	-
Forfeited during the period	**3.75**	**(4,000)**	3.53	(8,535)
Outstanding at the end of the period	**3.75**	**20,711**	3.75	24,711
The 2008 Unapproved Share Option Plan				
Outstanding at the beginning of the period	**3.68**	**13,789**	3.62	29,254
Granted during the period	-	-	-	-
Forfeited during the period	**3.45**	**(6,000)**	3.56	(15,465)
Outstanding at the end of the period	**3.85**	**7,789**	3.68	13,789
The 2008 Stock Option Plan				
Outstanding at the beginning of the period	-	-	3.59	2,000
Granted during the period	-	-	-	-
Forfeited during the period	-	-	3.59	(2,000)
Outstanding at the end of the period	-	-	-	-
The Stand Alone Option Agreements				
Outstanding at the beginning of the period	**1.10**	**163,650**	1.56	131,600
Granted during the period	-	-	1.82	50,000
Forfeited during the period	**0.94**	**(120,600)**	3.59	(17,950)
Exercised during the period	-	-	-	-
Outstanding at the end of the period	**1.55**	**43,050**	1.10	163,650
The Long Term Incentive Plan				
Outstanding at the beginning of the period	-	**299,300**	-	86,800
Granted during the period	-	-	-	380,000
Forfeited during the period	-	**(30,000)**	-	(167,500)
Exercised during the period	-	-	-	-
Outstanding at the end of the period	-	**269,300**	-	299,300

Notes to the financial statements

19. Share based payments (continued)

The weighted average share price at the date of exercise of share options exercised during the 12 month period was £ nil (2017: £nil) as no options were exercised.

The options outstanding at the period-end have an exercise price in the range of £0.01 to £5.00 (2017: £0.01 to £5.00) and a weighted average remaining contractual life of 3.9 years (2017: 6.3 years).

The number of exercisable options at 31 December 2018 totalled 86,500 (2017: 217,100)

The options outstanding at 31 December have an exercise price in the ranges summarised below:

	2018		2017	
Exercise Price Range	**Number of options outstanding at 31 December 2018**	**Weighted average remaining contractual life (years)**	Number of options outstanding at 31 December 2018	Weighted average remaining contractual life (years)
£0.01- £3.44	**35,000**	**2.7**	125,000	4.3
£3.45 - £4.49	**46,500**	**5.0**	87,100	5.7
£4.50 - £5.00	**5,000**	**1.3**	5,000	2.3
	86,500	**3.9**	217,100	4.8

The fair value of services received in return for share options is measured by reference to the fair value of share options granted. The estimate of fair value of the services received is measured based on the Black-Scholes model. The model has used an expected life of options of between 3.5 and 4 years, a risk free discount rate of between 1.19% and 5.75% and historical share price volatility at the date of grant range of between 33% and 72.2%.

The total charge recognised for the period arising from share based payments was $25,000 (2017: $36,000). Of this, $25,000 (2017: $36,000) arose from equity-settled share based payments.

Recognised in income statement	**2018 $'000**	2017 $'000
Share options granted in 2013	**-**	4
Share options granted in 2014	**-**	6
Share options granted in 2015	**7**	10
Share options granted in 2016	**8**	11
Share options granted in 2017	**7**	5
Share options granted in 2018	**3**	-
Total expense recognised as employee costs (note 5)	**25**	36

Notes to the financial statements

20. Financial Leases

Future lease payments are due as follows:

2018	Minimum lease payments $'000	Interest $'000	Present value $'000
Not later than one year	13	-	13
Between one year and five years	-	-	-
Later than five years	-	-	-
	13	-	13

2017	Minimum lease payments $'000	Interest $'000	Present value $'000
Not later than one year	19	-	19
Between one year and five years	14	-	14
Later than five years	-	-	-
	33	-	33

21. Financial instruments

The Company's principal financial instruments as at 31 December 2018 consist of cash and cash equivalents together with trade receivables and trade payables which arise directly from the Company's operations.

During the periods ended 31 December 2018 and 31 December 2017, the Company did not use derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. The Company does not hold or issue derivative financial instruments for trading purposes.

The Company is exposed to credit risk, interest rate risk, foreign currency risk and liquidity risk during the normal course of business.

Credit risk

At the balance sheet date there were no significant concentrations of credit risk. The exposure to credit risk is mitigated by selling to a wide range of customers and, where necessary, obtaining payments in advance or letters of credit. Credit evaluations are performed on all customers requiring credit. The Company establishes a specific allowance for impairment if a loss is estimated in respect of trade and other receivables.

Counterparties for cash and short-term deposits are restricted to financial institutions which have a high credit rating.

Notes to the financial statements

21. Financial instruments (continued)

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. As at the reporting date, the maximum exposure to credit risk was:

	Note	**2018 $'000**	2017 $'000
Trade and other receivables	13	**13,924**	12,277
Cash and cash equivalents	14	**1,843**	1,909
		15,767	14,186

The maximum exposure to credit risk for trade receivables at the reporting date by geographical region was:

	2018 $'000	2017 $'000
Europe, Middle East and Africa	**5,350**	5,868
North America	**3,841**	2,726
Latin America	**2,284**	1,847
Asia Pacific	**1,634**	1,527
	13,109	11,968

Impairment losses

The aged profile of trade receivables at the reporting date was:

	Gross 2018 $'000	**Impairment 2018 $'000**	Gross 2017 $'000	Impairment 2017 $'000
Not past due	**6,525**	**-**	6,817	-
0-30 days overdue	**3,946**	**-**	1,705	-
31-60 days overdue	**774**	**-**	656	-
More than 61 days overdue	**1,864**	**(1,206)**	2,790	(1,189)
	13,109	**(1,206)**	11,968	(1,189)

The allowance in respect of trade receivables is used to record impairment losses unless the Company is satisfied that no recovery of the outstanding amount is possible. At that point, the amount considered irrecoverable is written off against the trade receivables directly. Based on past experience, the Company believes no further impairment allowance is necessary in respect of trade receivables which are past due.

Notes to the financial statements

21. Financial instruments (continued)

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2018 $'000	2017 $'000
Balance at start of period	**(1,189)**	(1,304)
Impairment losses recognised	**(109)**	(235)
Effect of movements in foreign exchange	**92**	350
Balance at end of period	**(1,206)**	(1,189)

Interest Rate Risk

The Company earns interest from cash and cash equivalents with high credit rated financial institutions. These are subject to interest rate movements.

Currency Risk

The Company is exposed to foreign currency risk on sales, purchases, staff costs and sales agent costs that are denominated in a currency other than US dollars. The currencies giving rise to this risk are primarily sterling, euros and Canadian dollars.

The Company's revenue is denominated in US dollars (approximately 61% (2017: 55%)), sterling (approximately 14% (2017: 16%)), euro (approximately 18% (2017: 20%)) and Canadian dollars (approximately 7% (2017: 9%)). The majority of the Company's cost of sales is denominated in US dollars. The majority of the Company's other operating expenses are in sterling.

For monetary assets and liabilities held in currencies other than US dollars, the Company ensures that the net exposure is kept to an acceptable level by buying and selling foreign currencies at spot rates where necessary to address short-term balances.

The Company has investments in foreign operations whose net assets are exposed to currency translation risk.

Notes to the financial statements

21. Financial instruments (continued)

Financial assets and financial liabilities by currency	**2018 $'000**	2017 $'000
Sterling trade and other receivables	**2,314**	1,855
Euro trade and other receivables	**2,009**	3,012
Other currency trade and other receivables	**695**	1,527
Sterling cash and cash equivalents	**305**	92
Euro cash and cash equivalents	**76**	377
Other currency cash and cash equivalents	**105**	316
Sterling trade and other payables	**(1,702)**	(2,183)
Other currency trade and other payables	**(195)**	(766)

The following significant exchange rates applied during the year

	Average rate		Year end rate	
	2018	2017	**2018**	2017
Sterling to US dollar	**0.7489**	0.7759	**0.7882**	0.7394
Euro to US dollar	**0.8465**	0.8861	**0.8755**	0.8326

Liquidity Risk

The Company's exposure to liquidity risk is managed through the assessment of cash flow forecasts to ensure that sufficient funds are available to meet liabilities as they fall due. At 31 December 2018, the Company had an overdraft facility of $4.0m. This facility has recently been withdrawn by the Royal Bank of Scotland plc. As at 31 December 2018 the Company was not utilising the overdraft facility and had cash and cash equivalents of $1.8m (2017: $1.9m). The Company does not have any interest bearing liabilities due after more than 1 year.

The Company meets its day to day working capital requirements from operating cash flows and has not utilised the overdraft within the last two years.

The following are the contractual undiscounted cash flow maturities of financial liabilities.

As at 31 December 2018	**Carrying amount $'000**	**Contractual cash flow $'000**	**6 months or less $'000**	**6 – 12 months $'000**	**1 – 2 years $'000**	**2 – 5 years $'000**
Non-derivative financial liabilities						
Trade and other payables	**5,517**	**5,517**	**5,517**	**-**	**-**	**-**
Finance lease assets	**13**	**-**	**9**	**4**	**-**	**-**
	5,530	**5,517**	**5,526**	**4**	**-**	**-**

Notes to the financial statements

21. Financial instruments (continued)

Sensitivity analysis
In managing interest rate and currency risks the Company aims to reduce the impact of short-term fluctuations on the Company's earnings. Over the longer-term however, permanent changes in foreign exchange and interest rates would have an impact on earnings. There is currently not considered to be any material risk to the business on the basis of interest rate movements given the financial position of the Company.

It is estimated that a general increase of five percentage points in the value of sterling against the US dollar would have decreased the Company's profit before tax by approximately $0.4m for the year ended 31 December 2018 (2017: decrease of $0.3m) and a general increase of five percentage points in the value of the US dollar against the euro would have increased the Company's profit before tax by approximately $0.5m (2017: increase of $0.4m).

Fair Values
The nominal value of cash and cash equivalents, trade and other receivables, and trade and other payables of $8,478,000 (2017: $5,312,000) is deemed to reflect materially the fair value.

22. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2018 $'000	2017 $'000
Lease rentals due within:		
Less than one year	**584**	560
Between one and five years	**406**	1,002
More than five years	**-**	-
	990	1,562

During the year ended 31 December 2018, $615,000 was recognised as an expense in the income statement in respect of operating leases (2017: $511,000).

The Company leases premises in the UK, Canada and Dubai under operating leases. The UK head office lease expires in February 2021 and the London office lease expires in November 2019. The Dubai lease expires in January 2020.

23. Capital commitments

As at 31 December 2018, the Company had no contracts to purchase property, plant and equipment (2017: $nil).

Notes to the financial statements

24. Related parties

Identity of related parties

The Company has a related party relationship with its parent company and subsidiaries (see note 10) and with its directors.

Transactions with key management personnel

The board has defined key management personnel as the Directors of the Company.

In addition to their salaries, the Company also contributes to a post-employment defined contribution plan on the Director's behalf. The Executive Directors also participate in the Group's share option schemes. Details of the directors' remuneration are contained in note 5.

During the year employer National Insurance contributions of $49,000 were made in relation to Director's remuneration.

Transactions with related parties

During the year the Company charged a management fee to the parent company IndigoVision Group plc of $216,000 (2017: $213,000).

The Company pays its subsidiaries for sales and marketing activities in their territories. During the year the Company was charged for such activities as follows:

- IndigoVision Inc $5,015,000 (2017: $5,463,000)
- IndigoVision Australia Pty Ltd $629,000 (2017: $714,000)
- IndigoVision Pte Limited $380,000 (2017: $351,000)
- IndigoVision Video Security Solutions Ltd $56,000 (2017: $100,000)
- IndigoVision Solucoes De Seguranca Electronica Ltda $55,000 (2017: $21,000)
- IndigoVision Security System (Shanghai) Co. Ltd $7,000 (2017: $7,000)

During the year the Company paid no dividend to its parent company IndigoVision Group plc (2017: $ nil).

Also, no employees or agents of the Company exercised share options during the year. During the year the Company was charged interest on cash balances loaned from its parent company IndigoVision Group plc of $41,000 (2017: $40,000).

At the year end, IndigoVision Limited owed:

- IndigoVision Group Plc $1.67m (2017: $1.47m)
- IndigoVision Pte Limited $0.09m (2017: $0.06m)
- IndigoVision Australia Pty Ltd $nil (2017: $0.02m)
- IndigoVision Video Security Solutions Ltd $0.01m (2017: $nil)

At the year end, IndigoVision Limited was owed:

- IndigoVision Inc $2.06m (2017: $2.26m)
- IndigoVision Video Security Solutions Ltd $nil (2017: $0.1m)
- IndigoVision Solucoes De Seguranca Electronica Ltda $0.5m (2017: $0.65m)
- IndigoVision Australia Pty Ltd $0.1m (2017: $0.01m)
- IndigoVision Security System (Shanghai) Co. Ltd $0.01m (2017: $nil)

All related party receivables are fully provided for.

Notes to the financial statements

25. Ultimate parent company

The company is a wholly owned subsidiary undertaking of IndigoVision Group plc, incorporated in Scotland. The consolidated financial statements of that company are available to the public and may be obtained from: The Company Secretary, IndigoVision Group plc, Charles Darwin House, The Edinburgh Technopole, Edinburgh EH26 0PY, UK.

26. Accounting estimates and judgements

Management have considered the development, selection and disclosure of the Company's critical accounting policies and estimates and the application of these policies and estimates.

Share based payments

The Company's share-based payment expense is based on the fair value of the share-based awards. The estimation of the fair values for the share-based payments is dependent on the selection by the Board of assumptions applied in the valuation model. The assumptions applied are described in note 19 and include expected volatility, the expected life of the option and the risk free discount rate. While the Board considers that the assumptions are appropriate, changes in these assumptions may materially affect the amount of the expense recognised for share-based payments.

Warranty provision

The provision for warranties is estimated based on historical warranty data which typically ranges from 1% to 3% per annum and management judgement on estimated future returns given the operational activities during the two year warranty period preceding the reporting date and the extent to which warranty costs can be passed back to third party manufacturers. If actual project installations or product failure rates are less favourable than those estimated by management or the costs associated with repair or replacement cannot be passed back to the manufacturer, then warranty costs may exceed the provision made at the reporting date.

Deferred tax asset

Deferred tax assets and liabilities require management judgement in determining the amounts to be recognised. In particular, judgement is used when assessing the extent to which deferred tax assets should be recognised, with consideration given to the timing and level of future taxable income and the availability or otherwise of research and development tax credits. As future taxable income is likely to deviate to some degree from forecasts, the amount of the deferred tax asset carried needs to be reviewed in the light of such variations.

Inventories

Inventories are stated at the lower of cost and net realisable value. Some items included in inventories are written down to their net realisable value based on assumptions about future demand and market conditions. If actual market conditions are less favourable than those projected by management, then inventory may require to be written down by additional amounts. The assessment of whether an inventory write down is required is dependent on the circumstances prevailing at the time of the assessment.

Trade receivables

Trade receivables require management judgements in determining the amounts recoverable. Trade receivables are stated net of any provision for doubtful debts. The assessment of whether a receivable is doubtful is dependent on the circumstances prevailing at the time of the assessment.

Notes to the financial statements

26. Accounting estimates and judgements (continued)

Research and development costs

Expenditure on research activities undertaken with the prospect of gaining new technical knowledge and understanding is recognised as an expense in the income statement as incurred. The decision on whether development expenditure is capitalised rests with management. The decision is based on whether the development expenditure leads to a product which is technically feasible, production and sale are intended, a market exists and sufficient resources are available to complete the project. It is only when management can assess each of the requirements with certainty that a decision is made to capitalise the development expenditure in the financial statements. The assessment of whether a development should be capitalised is dependent on whether the circumstances prevailing at the time of the assessment.

Secretary and advisors

Secretary and Registered Office	The Company Secretary Charles Darwin House The Edinburgh Technopole Edinburgh EH26 0PY
Auditor	RSM UK Audit LLP Third Floor Centenary House 69 Wellington Street Glasgow G2 6HG
Solicitors	Shepherd & Wedderburn LLP 1 Exchange Crescent Conference Square Edinburgh EH3 8UL
Bankers	Royal Bank of Scotland plc 36 St Andrews Square Edinburgh EH2 2YB