# ANNUAL REPORT 2019


IndigoVision


## Ensuring security teams can focus sources effectively

# Key Points

For the year ended 31 December 2019

## Financial

- Revenue up 9.2% to $50.2m (2018: $46.0m)
- Gross margin increased by 0.3% to 57.7%
- Operating profit before exceptional items $2.0m (2018 loss: $0.6m)
- Exceptional costs $0.4m (2018: nil)
- Net cash balance of $2.2m at 31 December 2019 (2018: $2.0m)
- New $10m asset based lending facility secured
- Basic earnings per share 22.7 cents (2018: loss per share 4.1 cents)
- Diluted earnings per share 22.5 cents (2018: loss per share 4.1 cents)
- Adjusted earnings per share 31.5 cents (2018 adjusted loss per share: 4.1 cents)
- Dividend reinstated – proposed final dividend of 2.0p (2018: nil)

## Operational

- Vikki Macleod appointed to the Board in March 2019, adding expertise in software development
- New Head of Marketing, Vice-President of Product and Engineering, and Head of Customer Care and Operations appointed from outwith the business
- Senior leadership team strengthened
- Acquisition of AgoraSys SA enhances software product offering
- IndigoVision 2020 strategy launched
- Launch of Ultra X camera range, to comply with US NDAA 2019 requirements
- Began re-engineering the core VMS software to make development quicker and easier

*“These results demonstrate the significant turnaround that has been undertaken by IndigoVision. The Group is now on a sound strategic, operational and financial footing. We have growing momentum within the business.”*

**Max Thowless-Reeves, Chairman**

*“In 2019 we built on the momentum of 2018 and demonstrated further significant progress by delivering 9% revenue growth and returning the business to profitability. We are now strongly positioned, having strengthened our leadership team in the key areas of engineering, product management, marketing and customer care & operations. This investment is ensuring we deliver an improved focus on the customer experience across the whole business. Our first acquisition has brought Agora into the business and is opening up exciting opportunities. This platform addresses the human dimension that we feel has been underinvested in by the industry and enhances the traditional end-to-end video security solution.”*

**Pedro Simoes, Chief Executive**

## Contents

# Chairman's statement

**Max Thowless-Reeves**
Chairman

## Overview

Just over two years ago a major Board reconstruction was undertaken with the clear recognition that the Group's financial performance in 2017 and indeed, prior years, had not been acceptable and that IndigoVision was not achieving its full potential.

I am pleased to report the first set of annual results for many years that the Board deems acceptable.

There have been many operational and structural achievements in 2019 which we will discuss later but the consequence of these actions is reflected in the financial highlights:

- Growth in sales
- We have turned an underlying $1.6m EBITDA loss in 2017 into a $3.3m EBITDA profit in 2019
- We are cash generative
- We have net cash of $2.2m
- We have a robust balance sheet with substantial working capital availability from a new debt facility
- We have resumed returning surplus cash to shareholders via share buybacks in 2019 and today we announce the resumption of paying dividends

There were many excuses available for management teams in 2019 to deliver results below market expectations. Our executive team and staff have refused to be deflected from the mission and it is to their great credit that the most difficult part of the turnaround has been delivered despite this broadly unfavourable backdrop and that we can report results in line with market expectations. The Board are most grateful for the endeavours of all staff that have contributed to this. Special thanks must be given to our executive team of Pedro Simoes (CEO) and Chris Lea (CFO) whose leadership, drive and energy have been fundamental.

We are still not operating at a scale that will allow us to optimise our business model but the progress over the last two years provides us with positive momentum which is critical for the future success of the Company. In 2019 we have maintained investment in R&D and further increased our investment in operational capabilities and we have materially improved profitability – the principal focus of our energies. The turnaround and return to profitability has also allowed us to acquire innovative technologies that enrich our software portfolio and increases the momentum of our innovation.

The three key elements of the turnaround of the financial performance have been: revenue growth, improved execution and cost control; cost control discussed in the Operating and Financial Review. In addition, the acquisition of AgoraSys SA ("Agora") during the year was important not only for the technological capabilities and people it brought to the Group, but because it gave us the opportunity to articulate the refreshed strategy for the Group.

## Strategy

IndigoVision's ambition is for the Group to be one of the leading players in the video security solution space, for the benefit of its customers, employees and shareholders.

The first stage of the turnaround plan started two years ago with the restructuring of the Board and the executive team. This first stage was internally focused: running the business better, and involved significant organisational and senior personnel change across a number of departments. While this process will remain ongoing, much of the heavy lifting has now been done. Revenues are growing and the Group has turned significant losses into profits, with cash in the bank and a robust balance sheet which provides substantial working capital availability given the new debt facilities established during the year.

The next stage of the Board's plan involves looking outwards and carefully analysing the market in which the Group operates. The industry is highly fragmented with no dominant players nor dominant business models for the markets we target. A customer can select from a host of companies that provide either software or hardware or a combination of both. During 2019, the Board has been considering in depth what would be the optimal long term strategy and the culmination of this process was the launch of a new business plan referred to as IndigoVision 2020, as outlined within the Strategic Report.

## Return of capital and dividends

It is the Board's position that when surplus cash is generated above our requirement for financial prudence and for reinvestment then it should be returned to shareholders. It is their money and returning it to them is a healthy discipline.

In 2019 we used surplus cash to purchase shares, returning almost $0.5m to shareholders, and this will remain an important mechanism for returning cash to shareholders in the future. In addition, the financial position of the Group in 2019 (net cash at bank and a new finance facility) also supports the resumption of paying dividends (albeit at a modest level in 2019) and I am pleased to announce today the resumption of dividends to our shareholders, with a proposed final dividend of 2.0p for 2019 (2018: nil).

On the resumption of paying dividends it is worth elaborating on the Board's policy and preferences on returning cash to shareholders.

There are three principal methods for returning cash to shareholders: share buy backs, regular dividends and special dividends. We believe that regular dividends give shareholders a strong signal over the performance of the Group, its cash generative ability and the rigour associated with returning that surplus cash to its rightful owners.

When shares can be bought at what the Board considers to be advantageous prices we will also continue to pursue this as an effective means of capital return - in line with the permissions granted at the AGM – to buy back up to 10% of the share capital each year. These are the Board's preferred methods.

However, should advantageous prices be unavailable (when looking to buy back shares) in the future then the Board will elect to return the additional surplus cash by means of a special dividend in addition to the regular dividend.

## Outlook

The Board and senior management are encouraged by the operational and margin improvements made within the Group in 2019 and the progress achieved in its target markets, coupled with the Group's strengthened balance sheet and net cash position.

As we move into 2020, these improvements have put the business back on a stable footing and laid the foundations for the Group to build on the significant progress in performance achieved in 2019. As a result, we look forward with confidence to another year of growing momentum within the business.

**Max Thowless-Reeves**
Chairman
5 March 2020

# Operating and Financial Review and Principal Risks and Uncertainties - Strategic Report

**Pedro Simoes**
Chief Executive

## Operational Review

In 2018, one of the most immediate priorities was to restructure the global sales team, to reposition resources in markets which could drive increased revenue, to expand the sales channel and build long-lasting partnerships with end users and system integrators alike. This process never stops and recent new hires in Mexico and Qatar continue to address historical gaps in the Group's market coverage. A new leader has been appointed to manage the Group's Latin American business to drive improvement in that market. The migration to a new customer relationship management platform in October 2019 is expected to drive efficiencies in procurement and inventory planning.

During 2019, the Board's focus moved to improving the customer experience and driving efficiency in product development, accelerating new product introductions in both software and hardware categories. To help facilitate the change in product development, Vikki Macleod was appointed as a Non-Executive Director in March 2019. Vikki's skillset in leading software development teams is helping accelerate technology changes within the business that will ultimately benefit IndigoVision's customers.

Following the departure of Paul Theasby as Chief Operating Officer in September 2019, the Company appointed a Vice-President of Product and Engineering and has recently appointed a Head of Product Management, both from outwith the security industry and with a background in software development and change management. The Engineering and Product Management headcount was increased by over 10% and further significant investments are planned for these areas in 2020.

The four departments which exist to serve the customer, Order Management, Operations, Quality and Technical Support were all brought together under new leadership, with the aim of improving the overall customer experience and making it easier for customers to do business with IndigoVision.

A new Head of Marketing was appointed in March 2019, with the aim of improving lead generation, brand awareness, digital marketing and market communications. Many of the marketing tools have been upgraded and a refresh of the Group's website and further enhancement of the partner portal is planned for 2020.

In November 2019, the Group completed its first ever acquisition, purchasing AgoraSys SA ("Agora") for €3.0m. Agora provides a unified "command and control" software platform that integrates different security systems from multiple vendors, including IndigoVision's Control Center video management software. Agora's software provides business processes, procedures and auditing tools to allow users to audit and analyse the entire operation from any location with an internet connection. The Agora software also allows users to increase productivity in their organisations by implementing standard operating procedures that enable operators to efficiently control all equipment, on-site guards and vehicles. Customer response to the Agora platform has been very encouraging and although further product enhancements are underway, the Group expects to see quantifiable benefits from the Agora software later this year.

## Markets and Products

IndigoVision products are deployed in many market sectors for a variety of customers from small and medium sized enterprises to large and multinational corporations. The Group is particularly well known in the enterprise markets of airports, safe cities, banks, casinos and law enforcement. End users value the quality, reliability and scalability of the IndigoVision system, together with the end-to-end customised solutions achieved through an extensive suite of integration modules with operational and other security software. 2019 saw major project wins in safe city projects, mass transit systems, airports, shopping malls and a number of casinos.

IndigoVision's product strategy continues to be the design and sale of complete end-to-end video security solutions, inclusive of video management software, cameras, encoders, storage devices and integration to security and operational systems. There are few competitors that provide full end-to-end solutions, and buyers value the system reliability inherent in designing the complete solution, as well as the ease of one-stop sourcing.

## Business Model

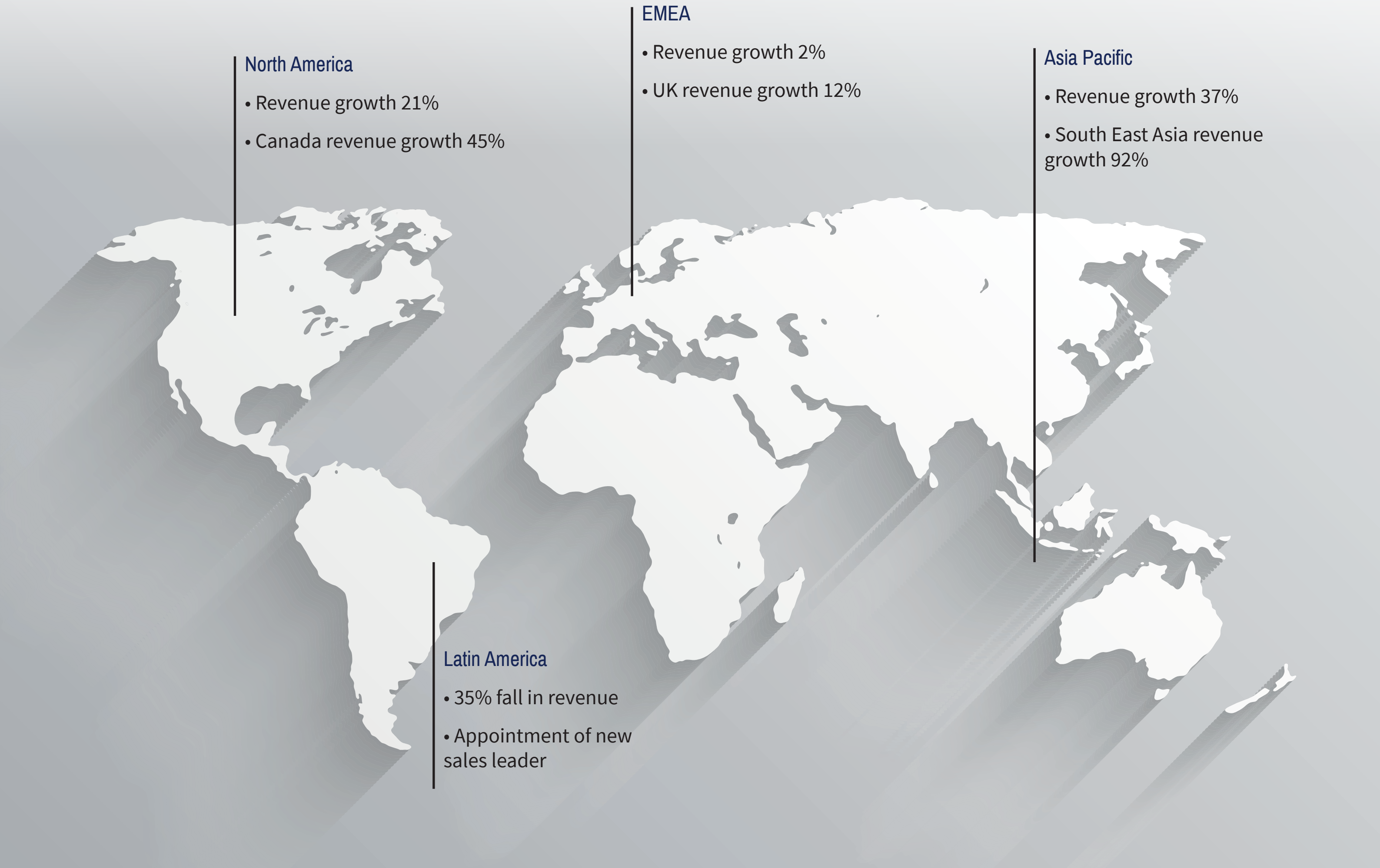
IndigoVision designs and manufactures high performance, video security systems for a wide range of users from large scale and complex security installations to small, eight camera systems. From video capture and transmission to analysis and storage, IndigoVision networked video security systems provide the best quality and most secure video evidence, using market leading compression technology to minimise network bandwidth usage and reduce storage costs.

The Group develops its end-to-end networked video systems through in-house design, use of OEM manufacturers and working with technology partners. Product is manufactured in Asia and Europe and brought into inventory based on forecast sales.

The Group utilises both in-house and third party warehouses in Europe, North America and Asia to store product, enabling timely order despatch to its global customer base and offering local product repair services.

The Group sells its products and services through a global network of authorised partners who install the Group's systems at end user sites. The Group's partners vary in size from large international security companies to local system integrators; value added resellers; and distributors in limited geographies. These companies offer first line technical support to end users and can maintain the system post sale. The Group provides second line technical support to authorised partners.

The Group is structured into four regional sales and support teams, with people in 23 countries, generating sales across many more countries.



## Strategy

The acquisition of Agora represents an important building block in meeting the Board of IndigoVision's ambition to turn the Group into one of the leading players in the video security solution space, for the benefit of its customers, employees and shareholders. The first stage of the turnaround plan started two years ago with the restructuring of the Board and the executive team. This first stage was internally focused: running the business better, and involved significant organisational and senior personnel change across a number of departments. While this process will remain ongoing, much of the heavy lifting has now been done. Revenues have improved and the Group has turned significant losses into profits, with cash in the bank and a robust balance sheet with substantial working capital availability given the new debt facility.

The next stage of the Board's plan involves looking outwards and carefully analysing the market in which the Group operates. The industry is highly fragmented with no dominant players nor dominant business models for the markets we target. A customer can select from a host of companies that provide either software or hardware or a combination of both. During 2019, the Board has been considering in depth what would be the optimal long term strategy and the culmination of this process is the launch of a new business plan referred to as IndigoVision 2020.

## IndigoVision 2020

IndigoVision 2020 sets out the Group's future strategic direction and was created to assist the Group in capitalising on the growing demand from the global video security solutions market.

IndigoVision 2020 positions the Group as a provider of next generation end-to-end video security management solutions that deliver safety, security and business intelligence. The strategy looks to remove customer pain points around industry fragmentation and the associated technological challenges of trying to bring together standalone hardware and software solutions across many vertical markets. The goal is to provide an elegant, effective and dynamic solution that brings together everything IndigoVision's customers require to meet their video security needs and to integrate specialist solutions in a way that is quick and easy to use.

This strategy firmly places the customer at the centre of everything the Group does, so that activities across the whole business can be measured against their contribution to meeting customer needs, delivering customer value and solving customer problems.

Many of the building blocks of this strategy are already in place and the acquisition of Agora further enriches the Group's software offering. The focus in 2020 and beyond is to develop pathways to the innovative technologies the Group wishes to add to its end-to-end solution and to engineer its software capabilities to swiftly build and incorporate other functionality.

Other key areas of strategic development for the business include:

## Technology innovation

New products are brought to market regularly to maintain the Group's competitive position as technology advances. The Group operates a dual development strategy of in-house software development and the use of technology partners. The in-house engineering team ensures all products supplied within the end-to-end offering are tested robustly and fully optimised as a complete solution to deliver market leading performance and reliability. Hardware life-cycles in the security market are reducing and, by sourcing products from a number of suppliers, the Group can offer a broader product range and increase speed to market for new technology. The Group's in-house development resource is strategically weighted towards software development, to meet increased market demand for intelligent video systems for both security and operational needs.

The Group continues to look at exciting partnership opportunities to combine IndigoVision's scale and technology base with emerging technology providers to create further innovative new products, possibly including bolt-on acquisitions of complementary technologies.

## Sales and marketing

New and repeat business is being won continually; new markets have been developed in line with the Group's strategy; key customer relationships are monitored on a regular basis and the performance of the regional sales teams is continually reviewed to ensure appropriate development is provided and teams resourced accordingly. The sales and marketing team structure is evolving to manage the targeted growth.

## Supply chain and logistics

The Group sources products from multiple suppliers in Asia and Europe, and consolidates these in three main logistics centres in Malaysia, the USA and the UK, operated by third parties. The Group also operates service centres in Colombia and Brazil. The Group continually strives to improve efficiency in the supply chain and logistics functions, to provide market leading service to our global customer base.

Following the implementation of the US National Defense Authorization Act 2019 ("NDAA") and the implementation of tariffs on Chinese-sourced cameras imported into the USA, the Group has broadened its supply chain to source products elsewhere within Asia which are NDAA compliant and do not attract US tariffs, together with the Group's principal camera supplier manufacturing certain camera models in Mexico.

## Employees

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

The Group 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 Group conducts an annual staff engagement survey to gauge employees' professional and emotional commitment to the Group and to seek feedback to drive continuous improvement.

The Group 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 Group has established an employee benefit trust in connection with these share option plans.

## Companies Act s.172 statement

In making decisions, the Directors take into account the potential long term implications of these decisions. This is a core component of the Group's strategic planning process.

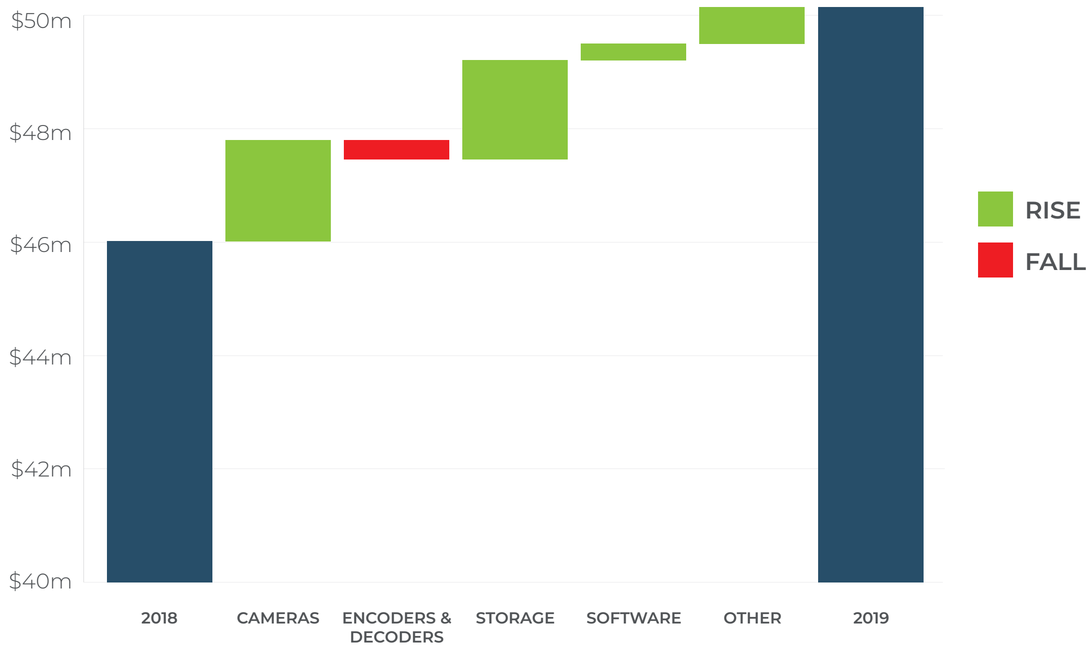
In order to take account of the Group's employees, the Group has established a new Senior Leadership Team with representatives from a number of key departments, which implements initiatives to ensure that the views and needs of our people are taken into account in our planning and decision making. This team is instrumental in the roll out of the IndigoVision 2020 strategy across the business.

How we foster business relationships with suppliers, customers and others, and the impact of our operations on the community and environment is explained within the Strategic Report.

We strive to maintain a reputation for the highest standards of business conduct. Our adoption of the QCA Corporate Governance Code provides the oversight and context for how we achieve that.

The Directors recognise the need to act fairly between members of the Company. Wherever a conflict or potential conflict arises, the Board takes independent legal and professional advice to ensure that members are treated fairly.

# Financial Review



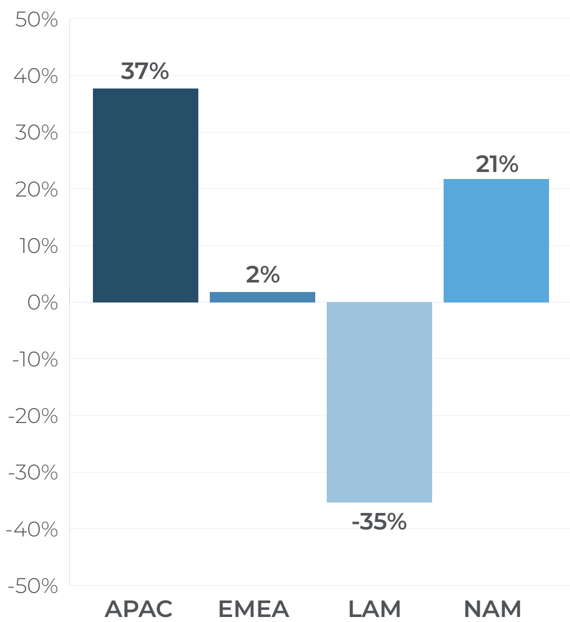

PRODUCT GROUP SALES GROWTH

## Results

In the year to 31 December 2019 revenue was $50.2m (2018: $46.0m), an increase of 9.2% for the second year running. Three of the four sales regions achieved sales growth in 2019, with APAC recording year on year growth of 37%, building strongly on the 45% growth achieved in 2018. Growth was particularly strong in South East Asia, with two projects of over $1m awarded in Malaysia and a large casino project delivered in South Korea.

North America and EMEA achieved growth of 21% and 2% (2018: 8% and 5%) respectively. Once again, growth was driven by casino and mass transit projects in the US and Canada. Within EMEA, performance was mixed, with 12% growth in the UK, 51% growth in Southern Europe and 66% growth in sub-Saharan Africa offsetting falls in the Middle East & India (24%) and France (38%).

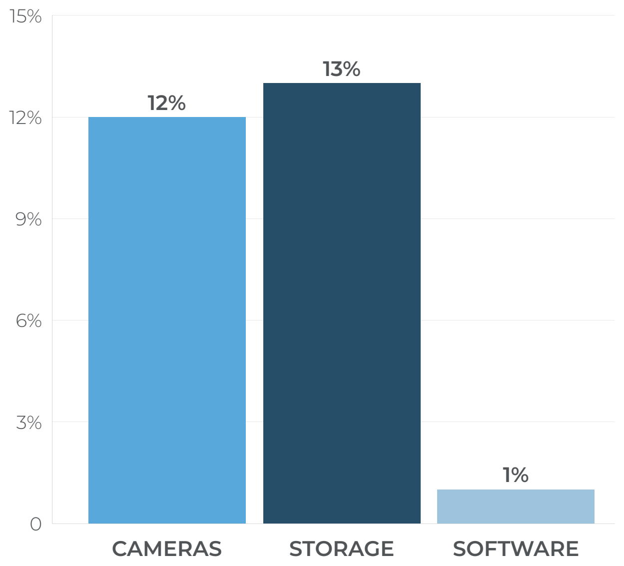
Latin American sales were however 35% lower than 2018 (2018: 9% lower), with significant price pressure in the region, as the larger Chinese camera manufacturers seek to divert product from the US market and take market share in Latin America. It is anticipated that the appointment of a new sales leader for Latin America will return the business to growth in 2020.



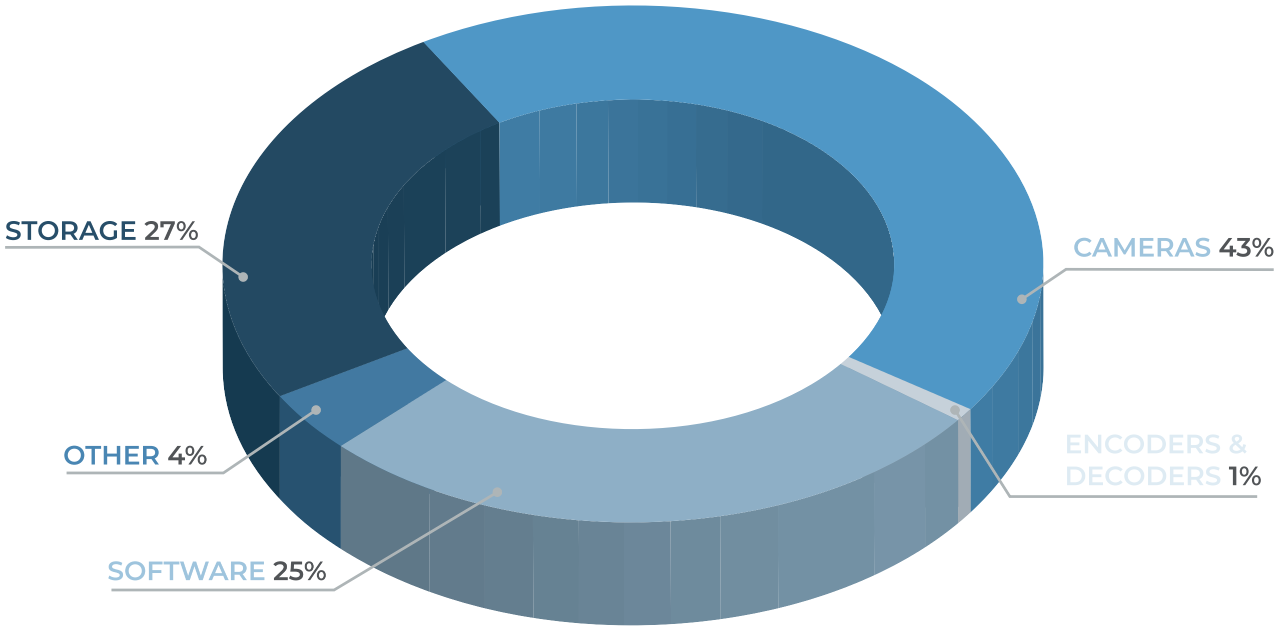

REGIONAL SALES GROWTH

Software sales achieved an increase of 1%, holding the gains seen in 2018 when software revenues increased by 26%. The average VMS licence selling price increased by 14% in the year, primarily due to geographical mix changes. The value of software upgrade plans which entitle customers to receive new versions of IndigoVision Control Center software reduced by 9%, having increased by 35% in 2018. Camera revenues increased by 12% (2018: 8%), with volumes increasing by 30% (2018: 18%) and average prices continuing to fall.

Storage revenue increased by 13% (2018: decline of 2%) in the year, with the average selling price per terabyte falling as customers continue to choose larger capacity servers. Storage now represents 27% of revenue (2018: 26%)

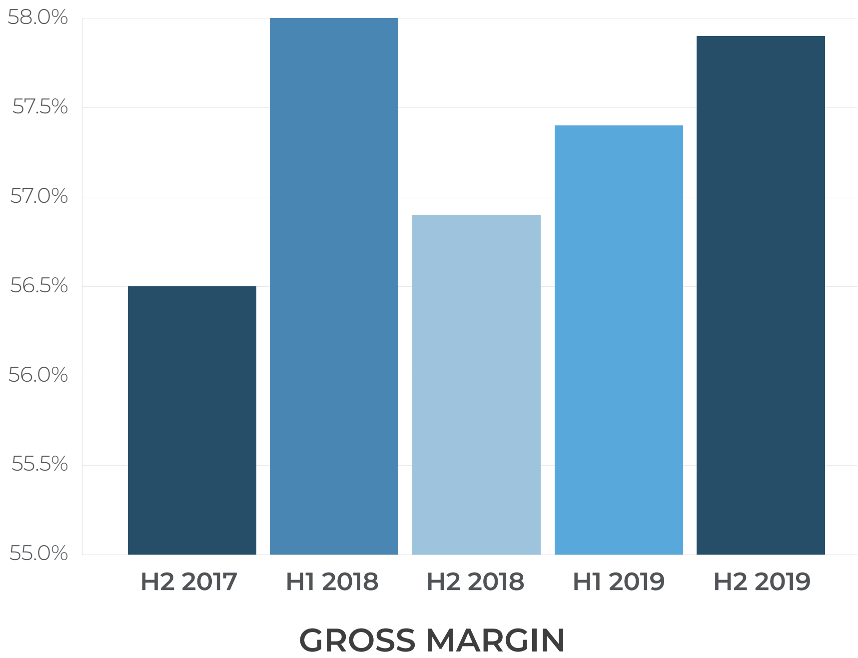



PRODUCT SALES GROWTH YEAR ON YEAR




PRODUCT SALES MIX

# Financial Review




The gross margin improved once again in the year to 57.7% from 57.4% in 2018, continuing the trend seen since the latter half of 2016. This was achieved through strong control over sales pricing, improved warranty cost management with the increasing proportion of OEM hardware passing more warranty risk back to the supplier and a shift towards more profitable geographic markets.

Overheads (excluding exceptional items and foreign exchange) were $26.6m, the same as in 2018. Research and development expenditure has been maintained at $3.3m.

The operating profit for the year after exceptional items was $1.6m compared to a loss of $0.6m in 2018. This profit is stated after foreign exchange loss of $0.2m (2018: $0.2m) and exceptional items amounting to $0.4m (2018: $nil). The first time adoption of IFRS 16 resulted in the recognition of right-of-use assets of $2,123k and corresponding lease liabilities of $2,123k at the initial application date of 1 January 2019. Within the year the expense of $348k that would have been charged on the leases under IAS 17 was replaced by a depreciation charge of $297k on the right-of-use assets and an interest charge of $87k on the lease liabilities.

## Adjusted EBITDA

Adjusted EBITDA is an accounting measure which the Board uses to calculate the Group's current operating profitability allowing them to focus specifically on operational performance.

| | **2019** | 2018 |
|---|---|---|
| | **$000** | $000 |
| Operating profit/(loss) after exceptional costs | **1,558** | (640) |
| Add back: | | |
| Depreciation and amortisation | **1,098** | 886 |
| Costs of raising debt | **202** | - |
| Acquisition costs | **201** | - |
| Share based payment charge | **260** | 25 |
| Adjusted earnings before interest, tax, depreciation and amortisation | **3,319** | 271 |

## Cash

In March 2019, The Royal Bank of Scotland plc formally withdrew the Group's overdraft facility of $4.0m. In August 2019, the Group secured a three year asset based debt facility of up to $10.0m with FGI Worldwide LLC, a US based finance firm. This facility was utilised to fund the initial cash consideration for Agora of $2.8m and to provide additional working capital for the Group.

The net cash balance at 31 December 2019 was $2.2m, represented by gross cash of $4.8m and utilisation under the new debt facility of $2.6m (2018: $2.0m). Cash balances include $0.2m which is held by Royal Bank of Scotland plc to provide security for Group's credit card facility and duty deferment bond. Cash balances are mainly held in US dollars, sterling, 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 Group's approved institutions. Cash on term deposits is included within cash and cash equivalents on the balance sheet.

## Dividends

It is the Board's policy that dividends should reflect earnings and, given the return to profitability, the Board proposes a final dividend of 2.0p for 2019 (2018: nil).

## Share buyback

During the year, the Group repurchased 210,000 shares at an average price of £2.25, with these shares to be held in Treasury. In November 2019, the Group re-issued 34,422 shares from Treasury to satisfy a proportion of the consideration payable on the acquisition of Agora. At 31 December 2019, the Group held 272,816 shares in Treasury (2018: 97,238 shares).

## Key performance indicators ("KPIs")

The Group uses the following financial KPIs to monitor growth, profitability, spend, and working capital:

| | **2019** | 2018 | Measure |
|---|---|---|---|
| Revenue growth % | **9.2%** | 9.2% | Current period revenue / prior period revenue |
| Operating margin | **3.1%** | (1.4%) | Operating profit/(loss) before financing costs / revenue |
| Underlying operating margin | **3.9%** | (1.4%) | Underlying operating profit/(loss) before financing costs /revenue |
| Profit/(loss) per share (cents) | **22.7** | (4.1) | As set out in note 7 |
| Adjusted earnings/(loss) per share (cents) | **31.5** | (4.1) | As set out in note 7 |
| R&D as % of sales | **6.6%** | 7.2% | Research and development expenses / revenue |
| Annualised return on capital employed | **5.9%** | (3.8%) | Profit/(loss) before tax/Year-end total assets less current liabilities |
| Current ratio | **1.8** | 2.3 | Current assets / current liabilities |
| Debtor days | **76** | 65 | Age profile of trade receivables |
| Creditor days | **74** | 47 | Age profile of trade payables |

The Group also uses non-financial KPIs, including the monitoring of:

- employees' health and safety
- average time taken to despatch orders
- product return rates
- number of technical support issues opened and resolved

# Principal Risks and Uncertainties

The Board, through the Audit Committee, regularly reviews the risks and uncertainties to which the Group 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 Group can take to mitigate such risks. During 2019, the escalation of the trade war between the USA and China, the outbreak of Coronavirus and the lack of certainty over the Brexit negotiations have increased the likelihood of cross-border tariffs and/or potential supply chain disruption in 2020.

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 Group. Appropriate measures are taken to control quality throughout the testing and qualification process and the Group has continued to improve its “New Product Introduction” procedures to minimise these risks.

## Competitive risk

The Group 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 Group. The geographical diversity of operations reduces the possible effect of action by any single competitor although individual countries and regions may well be affected. The Group values product quality and customer service as competitive differentiators and continually strives to optimise the customer experience. The Group 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.

## Customer risk

The Group 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 Group’s products are installed and maintained to a high standard at end-user sites, and to minimise the risk to the Group’s reputation in the market place. This is further supported by the Group’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 Group’s financial risk. In addition, the Group seeks to mitigate credit risk through the use of letters of credit and payments in advance where possible.

## Supply chain and distribution risk

The Group sources component parts from a number of global suppliers and seeks to avoid single points of supply wherever possible. The Group sub-contracts the manufacture 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 Group 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.

## Coronavirus

The ongoing outbreak of Covid-19 may have an impact on demand for the Group’s products. Whilst many of the larger camera manufacturers are based in China, Chinese components are also utilised by many overseas manufacturers. Disruption to the supply chain in China can have a knock on effect to worldwide manufacturing, as has been seen during the current Coronavirus outbreak, where manufacturing operations have been disrupted, domestic supply chains are unable to operate normally and cargo capacity becomes severely limited. To mitigate this risk, the Group maintains an appropriate level of inventory in multiple locations to cover any short-to-medium term interruptions to the supply chain.

## Global trade relationships

The USA is the largest security market in the world and is a key, strategic market for the Group. The introduction of tariffs on Chinese products entering the US market, which peaked at 25% in 2019 and have subsequently reduced to 7.5% in February 2020, 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 further reduce demand or increase the cost of goods manufactured in China for sale in the US. Tariff changes can be applied at short notice, political and human rights pressures are being brought to bear on the larger Chinese manufacturers making it increasingly difficult to sell their products in the US and certain other markets. The Group has mitigated this risk by diversifying its supply chain and by working with multiple manufacturing partners to develop and supply a range of products manufactured outside of China and which comply with the requirements of the NDAA.

## Brexit

The UK left the European Union on 31 January 2020 and is currently in a transitional period during which the trading relationship with the European Union is due to be clarified. In the event that an agreement cannot be reached with the European Union by 31 December 2020, there is likely to be significant disruption to cross-border trade and the possible introduction of new tariffs. The Group 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 15% of revenue. In response to this Brexit uncertainty, the Group has developed contingency plans to minimise any potential disruption to supply.

## Litigation risk

The Group 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 Group may be the subject of third party claims of intellectual property right infringement. The Group 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.

## Foreign currencies exchange rate fluctuations

The Group monitors short and medium term exchange rates and purchases products and components in US dollars to match the major sales currency. The Group seeks to reduce exposure to foreign exchange risk through natural hedging of US dollar income and costs. The Group 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 Group'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 24 of the report and accounts.

## Environmental risks

The Group seeks to ensure ongoing compliance with relevant legislation and strives to ensure that environmental best practice is incorporated into its key processes. The Group's ethical sourcing policy defines the environmental responsibilities throughout the supply chain. The Group 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 Group regularly monitors forthcoming and current legislation and taxation changes as they affect the Group.

On behalf of the Board

**Pedro Simoes**
Chief Executive Officer

**Chris Lea**
Chief Financial Officer

Edinburgh
5 March 2020


## Delivering safety, security and business intelligence

# Directors' report

The Directors present their report and the audited consolidated financial statements for the year ended 31 December 2019.

## Principal activities and business review

The principal activity of the Group continues to be the development, manufacture and sale of networked video security systems. The Group's software, cameras, encoders and network video recorders are designed both internally and with technology partners and manufactured in Asia and Europe. The Group'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. A review of the activities of the Group for the period is given in the Chairman's statement on pages 2 to 3.

## Proposed dividend

The Directors propose a final dividend of 2.0p per share for 2019 (2018: nil pence).

## Political and charitable contributions

The Group did not make any charitable donations (2018: $209) or political contributions during the year (2018: $nil).

## Financial instruments

Information on the group's use of financial instruments is disclosed in Note 24.

## Share Capital

As at 31 December 2019, the Company had 7,610,756 ordinary shares of 1 pence each in issue, of which 272,816 (3.5% of total capital) were held in Treasury (2018: 97,238 (1.3%)). During the year, the Group repurchased 210,000 (2.8%) shares at an average price of £2.25, taking the maximum holding to 307,238 (4.0%). In November 2019, the Group re-issued 34,422 (0.04%) shares from Treasury to satisfy a proportion of the consideration payable on the acquisition of Agora. In addition, 132,000 (0.17%) shares are held by the Employee Benefit Trust. The shares have been repurchased primarily to service future share incentive schemes.

## Substantial interests

As at 31 January 2020, the Company had been notified in accordance with sections 793 to 828 of the Companies Act 2006, of the following interests of 3% or more in the Company's ordinary share capital:

| | Shares | % |
|---|---|---|
| New Pistoia Income Limited | 2,064,500 | 28.13 |
| Richard Farmiloe[1] | 500,000 | 6.81 |
| VT Sorbus Vector Fund[1] | 460,000 | 6.27 |
| Hamish Grossart | 423,250 | 5.77 |
| Interactive Investor | 394,407 | 5.37 |
| Archon Capital Management | 330,000 | 4.50 |
| Peter Gyllenhammar AB | 320,029 | 4.36 |
| Church House Investments | 285,500 | 3.89 |
| Hargreaves Lansdown | 243,501 | 3.32 |

[1] Along with Max Thowless-Reeves, Richard Farmiloe is a partner in Sorbus Partners, the investment managers of the VT Sorbus Vector Fund

# Directors

The composition of the Board has been designed to give a good mix and balance of different skill sets, including significant experience in:

- high growth companies;
- technology and security sectors;
- entrepreneurial cultures;
- senior financial reporting;
- both UK and US companies;
- acquisitions; and
- other listed companies.

Through this mix of experience, the Board and the individual Directors are well positioned to set the strategic aims of the Company as well as drive the Group's values and standards throughout the organisation, whilst remaining focused on their obligations to shareholders and meeting their statutory obligations.

## Max Thowless-Reeves

**Non-Executive Chairman**

Max Thowless-Reeves was appointed to the Board of IndigoVision with effect from 1 June 2017 and was appointed Chairman on 7 March 2019. Max is a partner in private investment office SORBUS Partners LLP. He is a Chartered Fellow of the Chartered Institute for Securities & Investment (CISI) and a Visiting Teaching Fellow at Aston Business School. He has an MBA from Warwick Business School.

In view of Max's personal shareholding, the VT Sorbus Vector Fund shareholding and his close association with his business partner Richard Farmiloe, Max is not regarded as being an independent director.

## Pedro Simoes

**Chief Executive Officer**

Pedro Simoes was initially appointed as the Company's Senior Vice President – Global Sales on 2 October 2017. Pedro took over as interim Chief Executive Officer in November 2017 and was confirmed as CEO on 8 January 2018, at which time he was appointed to the Board. He is an experienced global sales leader in the security industry, with over 14 years' experience in the sector, and prior to joining the Group he spent nearly six years with Avigilon Corporation (TSX:AVO), now part of Motorola Solutions, Inc. where he was ultimately responsible for leading its Global salesforce and driving revenue worldwide.

## Chris Lea

**Chief Financial Officer and Company Secretary**

Chris Lea was appointed a Director on 19 May 2016, as Company Secretary on 31 May 2016 and took up his full time role as Chief Financial Officer on 4 July 2016. Chris was previously Finance Director and Company Secretary of then AIM-listed Superglass Holdings PLC (AIM:SPGH), the UK's only independent manufacturer of glass and mineral wool insulation, prior to the sale of the company to Inflection Management Corporation in July 2016. Previous to this Chris was Chief Financial Officer for Aviagen Europe, the world's largest poultry breeding company. Chris spent 15 years with KPMG, holding various roles within their audit and corporate finance businesses. He holds a BSc (Hons) from Nottingham University and is a member of the Institute of Chartered Accountants in England and Wales.

## George Elliott

**Non-Executive Director**

George Elliott was appointed to the Board of IndigoVision as a Non-Executive Director on 1 June 2017 and was appointed Non-Executive Chairman on 1 July 2017, stepping down to a Non-Executive Director role once again on 7 March 2019. George is also Non-Executive Chairman of Calnex Solutions Ltd, Optoscribe Ltd, Design Led Products Ltd and is a Director of RITF Consultants Limited. He has extensive boardroom experience in private and public technology companies in an executive and non-executive capacity. George was until recently Non-Executive Chairman of AIM-listed Craneware plc (AIM: CRW), the market leader in software and supporting services for healthcare providers in the US. From 2000 to 2007 he was Chief Financial Officer of Wolfson Microelectronics plc, then a leading UK-listed global provider of high performance mixed-signal semiconductors to the consumer electronics industry.

## Vikki Macleod

**Non-Executive Director**

Vikki Macleod was appointed to the Board of IndigoVision as an independent Non-Executive Director on 29 March 2019. With a near 30 year career rooted in software, data and digital transformation for retail, marketing and financial services sectors, Vikki has held strategic and executive level roles with Virgin, Tesco Bank, and Equiniti. She was also a Trustee and Risk & Audit Committee member for Tesco PLC's pension schemes, helping manage and apply the assets of its £8bn trust fund and a non-executive director for Zonal Retail Data Systems, the UK's No1 Hospitality Business Solutions Provider. She is also an Independent Growth and Technology Advisor, helping ambitious mid-market business leaders as part of Grant Thornton's Growth 365 service.

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

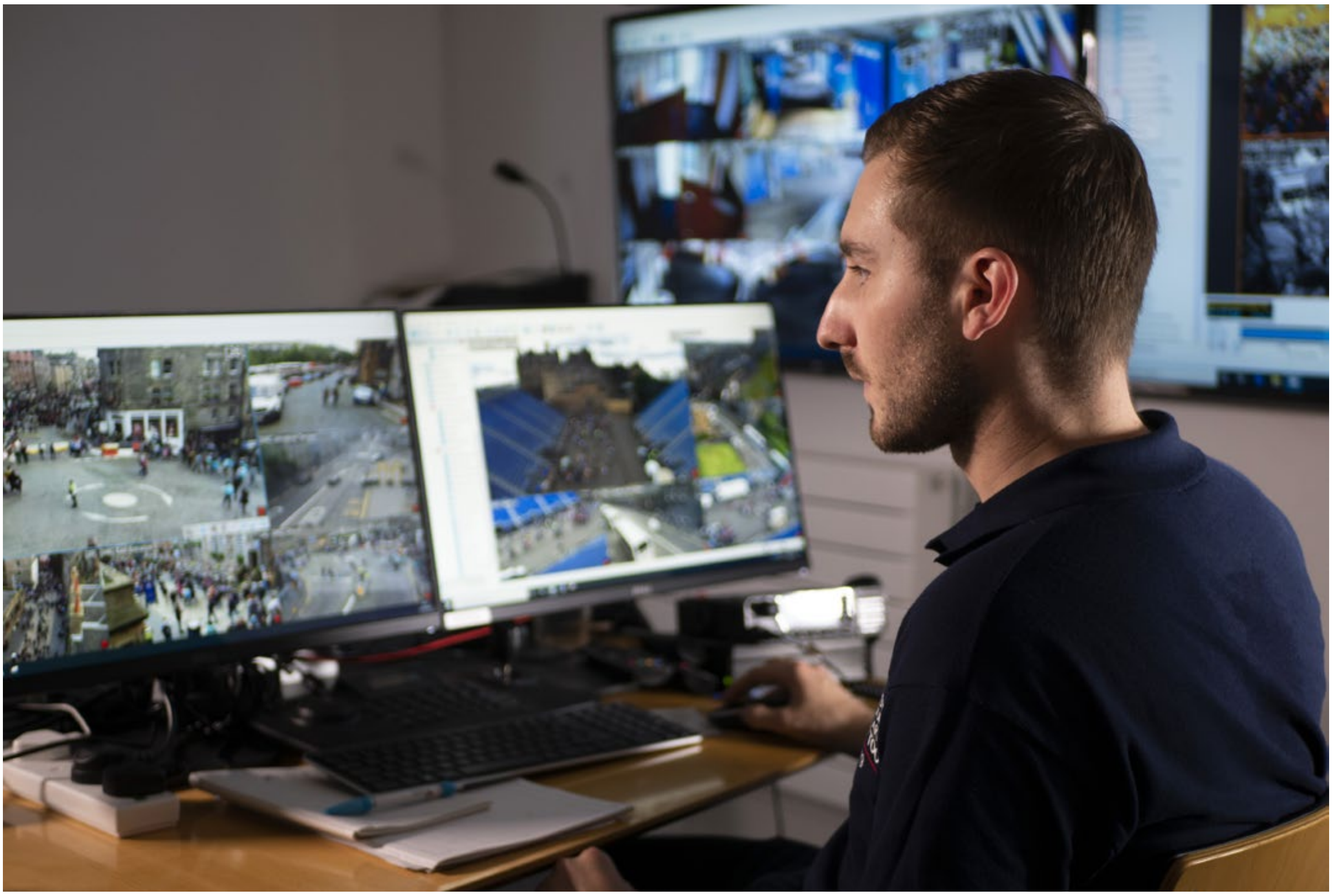
## Directors' attendance at Board and Board Committee meetings

As a minimum, the Board meets once a month, either in person or by telephone. Other Board meetings are scheduled as and when required.

There is a formal schedule of matters reserved for the Board, which include approval of the Group's strategy, annual budgets and business plans, acquisitions, disposals, business development, annual reports and interim statements, plus any significant financing and capital expenditure plans. As part of this schedule, the Board has clearly laid out levels of devolved decision making authority to the executives.

The attendance at Board and Board committee meetings in 2019 was as follows:

| Director | Board Meetings | Remuneration Committee | Audit Committee |
|---|---|---|---|
| Pedro Simoes | 16/16 | N/A | N/A |
| Chris Lea | 16/16 | N/A | N/A |
| Martin Pengelley | 6/6 | 3/3 | 2/2 |
| George Elliott | 16/16 | 4/4 | 4/4 |
| Max Thowless-Reeves | 16/16 | 3/4 | 4/4 |
| Vikki Macleod | 12/12 | 3/3 | 2/2 |



## Directors' remuneration

The Directors who served during the period and their remuneration for the period (or period of employment during the period where shorter) are shown below:

| 2019 Director | Salary/ Fees $'000 | Bonus $'000 | Benefits $'000 | Total before pension $'000 | Pension contributions $'000 | 2019 Total $000 |
|---|---|---|---|---|---|---|
| **Executive** | | | | | | |
| Pedro Simoes | 256 | 309 | 10 | 575 | 34 | **609** |
| Chris Lea | 190 | 218 | 13 | 421 | 25 | **446** |
| **Non-Executive** | | | | | | |
| Martin Pengelley[1] | 15 | - | - | 15 | - | **15** |
| George Elliott | 48 | - | - | 48 | - | **48** |
| Max Thowless-Reeves | 110 | - | - | 110 | - | **110** |
| Vikki Macleod[2] | 29 | - | - | 29 | - | **29** |
| | 648 | 527 | 23 | 1,198 | 59 | **1,257** |

[1] Resigned 16 May 2019
[2] Appointed 29 March 2019

| 2018 Director | Salary/ Fees $'000 | Bonus $'000 | Benefits $'000 | Total before pension $'000 | Pension contributions $'000 | 2018 Total $000 |
|---|---|---|---|---|---|---|
| **Executive** | | | | | | |
| Pedro Simoes[1] | 225 | 28 | 10 | 263 | 34 | **297** |
| Chris Lea | 189 | 23 | 15 | 227 | 25 | **252** |
| **Non-Executive** | | | | | | |
| Martin Pengelley | 40 | - | - | 40 | - | **40** |
| George Elliott | 100 | - | - | 100 | - | **100** |
| Max Thowless-Reeves | 40 | - | - | 40 | - | **40** |
| | 594 | 51 | 25 | 670 | 59 | **729** |

[1] Appointed 8 January 2018

## Directors' interests

The Directors who served the Company during the period, together with their beneficial interests in the shares of the Company, were as follows:

| | | Ordinary shares |
|---|---|---|
| | **2019** | **2018** |
| George Elliott | **18,000** | 18,000 |
| Chris Lea | **39,344** | 37,264 |
| Martin Pengelley[1] | **10,000** | 10,000 |
| Max Thowless–Reeves | **157,383** | 87,383 |
| Pedro Simoes | **30,262** | 23,184 |
| Vikki Macleod[2] | **10,000** | - |

[1] Resigned 16 May 2019
[2] Appointed 29 March 2019

## Committees

### Audit Committee

Vikki Macleod is the chairperson of the Audit Committee and George Elliott and Max Thowless–Reeves are members. The Board has delegated the following responsibilities to the audit committee:

- to assist the board in meeting its financial reporting responsibilities
- to ensure that the Group's published financial statements comply with all applicable statutory requirements and accounting standards
- to review the interim and annual financial reports of the Group
- to review the effectiveness of internal financial controls and make recommendations where necessary
- to communicate with the external auditors and review their audit findings
- to review the performance of the auditors
- to advise the Board on the appointment and remuneration of the external auditors

### Remuneration Committee

George Elliott is the chairman of the Remuneration Committee and both Max Thowless-Reeves and Vikki Macleod are members. The Board has delegated the following responsibilities to the remuneration committee:

- reviewing the performance of the executive directors
- setting the pay, bonuses and other remuneration of the executive directors
- allocating share options together with any attached performance targets to executive directors and employees

## Evaluating Board Performance

At the current stage of the Company's development, assessment of the Board's performance and that of its committees will be undertaken by the Board as a whole, led by the Group's Chairman. Although the Group has no formal procedure for measuring the effectiveness of the Board, the Board will be carefully reviewing its effectiveness and the need to refresh its membership by reference to financial performance, adherence to budgets and the overall growth of the Group and taking account of the opinions and insights of its auditor, nominated adviser, broker, legal and other advisers. The method of assessing Board effectiveness and performance will be reviewed on a continuing basis.

## Corporate Governance Statement

The Group aims to adhere to the Quoted Companies Alliance Corporate Governance Code.

## Engagement with customers, suppliers and the community

How we foster business relationships with suppliers, customers and others, and the impact of our operations on the community and environment is explained within the Strategic 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 Group's auditor is unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

## Auditor

In accordance with section 489 of the Companies Act 2006, a resolution for the re-appointment of RSM UK Audit LLP as auditor of the Company is to be proposed at the forthcoming annual general meeting.

## Statement of Directors' responsibilities

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

Company law requires the Directors to prepare group and company financial statements for each financial year. The Directors are required by the AIM Rules of the London Stock Exchange to prepare group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected under company law to prepare the company financial statements in accordance with IFRS as adopted by the EU.

The financial statements are required by law and IFRS adopted by the EU to present fairly the financial position of the group and the company and the financial performance of the group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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 Group and the Company and of the profit or loss of the Group for that period.

In preparing each of the Group and Company financial statements, the Directors are required to:

a. select suitable accounting policies and then apply them consistently;

b. make judgements and accounting estimates that are reasonable and prudent;

c. state whether they have been prepared in accordance with IFRSs adopted by the EU;

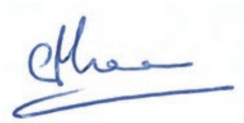
d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the IndigoVision Group plc website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board



**Chris Lea**
Director and Company Secretary
5 March 2020

# Independent auditor's report

To the members of IndigoVision Group plc

## Opinion

We have audited the financial statements of IndigoVision Group plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 December 2019 which comprise the consolidated statement of comprehensive income, consolidated balance sheet, company balance sheet, group statement of changes in equity, company statement of changes in equity, consolidated statement of cash flows, company 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 and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the Companies Act 2006; and
- the financial statements 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 group and the parent 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 as applied to SME listed entities 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 group's or the parent 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.

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the group financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the group financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

There were no key audit matters for the parent company financial statements.

## Inventory existence and valuation

Refer to page 36 regarding the accounting policy in respect of inventories and note 12 in respect of the carrying amount and write-down of inventories.

### Risk

As described in the accounting policies, inventory is carried at the lower of cost and net realisable value. The Group holds a material value of inventory as disclosed in note 12 and inventory items are subject to the risks of technological obsolescence and fluctuations in price.

### Our response

We documented and walked through management's systems and controls around the valuation of inventory. Our testing was designed to obtain evidence as to whether inventory was carried at the lower of cost and net realisable value.

We selected a sample of inventory items to consider whether inventory is valued appropriately and carried at the lower of cost and net realisable value, comparing inventory value with purchase records, and then to recent sales proceeds and open sales orders for each line selected. We also tested the calculation of the average cost.

We compared the inventory provision year on year, and investigated movements in related inventory items and in the provision to ensure that the basis of the inventory provision was supported. We also evaluated unprovided inventory to determine whether or not items required a provision.

## Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. During planning materiality for the group financial statements as a whole was calculated as $163k which was not significantly changed during the course of our audit. Materiality for the company financial statements as a whole was calculated as $21k, which was not significantly changed during the course of our audit. We agreed with the Audit Committee that we would report to them all unadjusted differences in excess of $8k as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

## An overview of the scope of our audit

IndigoVision Group plc, IndigoVision Limited and IndigoVision UK Limited were subjected to full scope statutory audits. These audits were performed to satisfy local statutory audit requirements based on local assessed risks and materiality criteria. These components accounted for 99% of the group's revenue.

The remaining overseas subsidiaries in the group were subject to reduced scope review procedures including analytical procedures at group level. These procedures were performed where the entity is not considered to be significant to the group because of size or assessed risks or both. In aggregate, these components represented 1% of the group's revenue.

## Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of 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 group and the parent company and their 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 pages 21 to 22, 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 group's and the parent 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 group or the parent 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/auditorsresponsibilities. This description forms part of our Auditor's Report.

## Use of our report

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

RSM UK Audit LLP

**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
5 March 2020

# Consolidated statement of comprehensive income

For the year ended 31 December 2019

| | Note | **2019 $'000** | 2018 $'000 |
|---|---|---|---|
| Revenue | 2 | **50,184** | 45,964 |
| Cost of sales | | **(21,246)** | (19,567) |
| **Gross profit** | | **28,938** | 26,397 |
| Research and development expenses | | **(3,299)** | (3,311) |
| Selling and distribution expenses | | **(18,900)** | (19,114) |
| Administrative expenses | | **(4,585)** | (4,406) |
| Foreign exchange loss | | **(193)** | (206) |
| **Operating loss** | 3 | **1,961** | (640) |

| | | | |
|---|---|---|---|
| Exceptional costs | | | |
| Cost of raising debt | | **(202)** | - |
| Acquisition costs | | **(201)** | - |
| Total exceptional costs | | **(403)** | - |

| | | | |
|---|---|---|---|
| **Operating profit/(loss) after exceptional costs** | | **1,558** | (640) |
| Financial (expense)/income | 5 | **(237)** | 1 |
| **Profit/(loss) before tax** | | **1,321** | (639) |
| Income tax credit | 6 | **344** | 337 |
| **Profit/(loss) for the period attributable to equity holders of the parent** | | **1,665** | (302) |

| | | | |
|---|---|---|---|
| **Other comprehensive income/(expense)** | | | |
| Foreign exchange translation differences on foreign operations | | **153** | (133) |
| **Total comprehensive profit/(loss) for the year attributable to equity holders of the parent** | | **1,818** | (435) |
| Basic earnings/(loss) per share (cents) | 7 | **22.7** | (4.1) |
| Diluted earnings/(loss) per share (cents) | 7 | **22.5** | (4.1) |
| Adjusted earnings/(loss) per share (cents) | 7 | **31.5** | (4.1) |

# Consolidated balance sheet

As at 31 December 2019

| | Note | 2019 $'000 | 2018 $'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 8 | **2,522** | 989 |
| Intangible assets | 9 | **4,051** | 352 |
| Investments | 10 | **27** | - |
| Deferred tax | 11 | **2,144** | 1,732 |
| **Total non-current assets** | | **8,744** | 3,073 |
| **Current assets** | | | |
| Inventories | 12 | **8,474** | 8,011 |
| Trade and other receivables | 13 | **16,655** | 14,691 |
| Cash and cash equivalents | 14 | **4,756** | 2,024 |
| **Total current assets** | | **29,885** | 24,726 |
| **Total assets** | | **38,629** | 27,799 |
| **Current liabilities** | | | |
| Trade and other payables | 15 | **13,394** | 9,188 |
| Borrowings | 16 | **2,564** | - |
| Lease liabilities | 16 & 17 | **277** | - |
| Provisions | 18 | **113** | 138 |
| **Total current liabilities** | | **16,348** | 9,326 |
| **Non-current liabilities** | | | |
| Provisions | 18 | **84** | 45 |
| Lease liabilities | 16 & 17 | **1,609** | - |
| Deferred tax | 11 | **310** | - |
| Other non-current liabilities | 19 | **2,144** | 1,932 |
| **Total non-current liabilities** | | **4,147** | 1,977 |
| **Total liabilities** | | **20,495** | 11,303 |
| **Net assets** | | **18,134** | 16,496 |
| **Equity** | | | |
| Called up share capital | 20 | **120** | 120 |
| Share premium account | 20 | **2,684** | 2,684 |
| Other reserve | 20 | **8,080** | 8,080 |
| Translation reserve | 20 | **(576)** | (729) |
| Treasury/own share reserve | 20 | **(752)** | (268) |
| Profit and loss account | | **8,578** | 6,609 |
| **Total equity attributable to equity holders of the parent** | | **18,134** | 16,496 |

These financial statements were approved by the Board of Directors on 5 March 2020 and were signed on its behalf by:

**Pedro Simoes,** Director **Chris Lea,** Director

# Company balance sheet

As at 31 December 2019

| | Note | **2019 $'000** | 2018 $'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investments | 10 | **2,559** | 2,217 |
| **Total non-current assets** | | **2,559** | 2,217 |
| **Current assets** | | | |
| Trade and other receivables | 13 | **961** | 1,653 |
| Cash | 14 | **20** | 22 |
| **Total current assets** | | **981** | 1,675 |
| **Total assets** | | **3,540** | 3,892 |
| **Current liabilities** | | | |
| Trade and other payables | 15 | **19** | 39 |
| **Total current liabilities** | | **19** | 39 |
| **Net assets** | | **3,521** | 3,853 |
| **Equity** | | | |
| Called up share capital | 20 | **120** | 120 |
| Share premium account | 20 | **2,684** | 2,684 |
| Translation Reserve | 20 | **(1,692)** | (1,717) |
| Treasury/own share reserve | 20 | **(752)** | (268) |
| Profit and loss account | 20 | **3,161** | 3,034 |
| **Total equity attributable to equity holders of the parent** | | **3,521** | 3,853 |

The Company made a loss of $212,000 in the year (2018: $160,000 loss).
These financial statements were approved by the Board of Directors on 5 March 2020 and were signed on its behalf by:

**Pedro Simoes**
Director

**Chris Lea**
Director

# Group statement of changes in equity

For the year ended 31 December 2019

| Group | Share capital $'000 | Share premium $'000 | Other reserve $'000 | Treasury / own share reserve $'000 | Translation reserve $'000 | Retained earnings $'000 | Total equity $'000 |
|---|---|---|---|---|---|---|---|
| Balance at 31 December 2017 | 120 | 2,684 | 8,080 | (268) | (596) | 6,911 | 16,931 |
| **Total comprehensive income** | | | | | | | |
| Loss for the year | - | - | - | - | - | (302) | (302) |
| Difference on translation | - | - | - | - | (133) | - | (133) |
| **Total comprehensive income** | - | - | - | - | (133) | (302) | (435) |
| **Transactions with the owners of the Company** | | | | | | | |
| Equity-settled transactions, including deferred tax effect | - | - | - | - | - | - | - |
| Purchase of own shares | - | - | - | - | - | - | - |
| Dividends paid to equity holders | - | - | - | - | - | - | - |
| **Total transactions with the owners of the Company** | - | - | - | - | - | - | - |
| Balance at 31 December 2018 | 120 | 2,684 | 8,080 | (268) | (729) | 6,609 | 16,496 |
| **Adoption of IFRS 16 adjustment** | - | - | - | - | - | 44 | 44 |
| **Total comprehensive income** | | | | | | | |
| Profit for the year | - | - | - | - | - | 1,665 | 1,665 |
| Difference on translation | - | - | - | - | 153 | - | 153 |
| **Total comprehensive income** | - | - | - | - | 153 | 1,665 | 1,818 |
| **Transactions with the owners of the Company** | | | | | | | |
| Equity-settled transactions, including deferred tax effect | - | - | - | 85 | - | 260 | 345 |
| Purchase of own shares | - | - | - | (569) | - | - | (569) |
| **Total transactions with the owners of the Company** | - | - | - | (484) | - | 260 | (224) |
| **Balance at 31 December 2019** | **120** | **2,684** | **8,080** | **(752)** | **(576)** | **8,578** | **18,134** |

# Company statement of changes in equity

For the year ended 31 December 2019

| Company | Share capital $'000 | Share premium $'000 | Treasury / own share reserve $'000 | Translation reserve $'000 | Retained earnings $'000 | Total equity $'000 |
|---|---|---|---|---|---|---|
| Balance at 31 December 2017 | 120 | 2,684 | (268) | (1,434) | 3,150 | 4,252 |
| **Total comprehensive income** | | | | | | |
| Loss for the year | - | - | - | - | (160) | (160) |
| Difference on translation | - | - | - | (283) | 44 | (239) |
| **Total comprehensive income** | - | - | - | (283) | (116) | (399) |
| **Transactions with the owners of the Company** | | | | | | |
| Equity-settled transactions, including deferred tax effect | - | - | - | - | - | - |
| Purchase of own shares | - | - | - | - | - | - |
| Dividends paid to equity holders | - | - | - | - | - | - |
| **Total transactions with the owners of the Company** | - | - | - | - | - | - |
| Balance at 31 December 2018 | 120 | 2,684 | (268) | (1,717) | 3,034 | 3,853 |
| **Total comprehensive income** | | | | | | |
| Loss for the year | - | - | - | - | (212) | (212) |
| Difference on translation | - | - | - | 25 | 79 | 104 |
| **Total comprehensive income** | - | - | - | 25 | (133) | (108) |
| **Transactions with the owners of the Company** | | | | | | |
| Equity-settled transactions, including deferred tax effect | - | - | 85 | - | 260 | 345 |
| Purchase of own shares | - | - | (569) | - | - | (569) |
| Dividends paid to equity holders | - | - | - | - | - | - |
| **Total transactions with the owners of the Company** | - | - | (484) | - | 260 | (224) |
| **Balance at 31 December 2019** | **120** | **2,684** | **(752)** | **(1,692)** | **3,161** | **3,521** |

# Consolidated statement of cash flows

For the year ended 31 December 2019

| | **2018** | 2017 Restated* |
|---|---|---|
| | **$'000** | $'000 |
| **Cash flows from operating activities** | | |
| Profit/(loss) for the year | **1,665** | (302) |
| Adjusted for: | | |
| Depreciation and amortisation | **1,098** | 886 |
| Financial expense/(income) | **237** | (1) |
| Share based payment expense | **260** | 25 |
| Foreign exchange loss | **193** | 206 |
| Loss on disposal of fixed assets | **3** | 37 |
| Income tax credit | **(344)** | (337) |
| (Increase)/decrease in inventories | **(446)** | 925 |
| Increase in trade and other receivables | **(2,044)** | (1,591) |
| Increase/(decrease) in trade and other payables | **3,415** | (78) |
| Increase in provisions | **14** | - |
| **Cash generated from/(absorbed by) operations** | **4,051** | (230) |
| Income taxes repaid | **515** | 228 |
| **Net cash inflow/(outflow) from operating activities** | **4,566** | (2) |
| **Cash flows from investing activities** | | |
| Interest (paid)/received | **(237)** | 1 |
| Acquisition of property, plant and equipment | **(268)** | (275) |
| Acquisition of intangible assets | **(300)** | (133) |
| Acquisition of subsidiaries (net of cash acquired) | **(2,773)** | - |
| **Net cash outflow from investing activities** | **(3,578)** | (407) |
| **Cash flows from financing activities** | | |
| Purchase of own shares | **(569)** | - |
| Finance lease payments | **(14)** | (19) |
| Lease liability payments | **(393)** | - |
| Net new borrowings | **2,564** | - |
| Dividends paid | **-** | - |
| **Net cash outflow from financing activities** | **1,588** | (19) |
| Net decrease in cash and cash equivalents | **2,576** | (428) |
| Cash and cash equivalents at 1 January | **2,024** | 2,574 |
| Effect of exchange rate fluctuations on cash held | **156** | (122) |
| **Cash and cash equivalents at 31 December** | **4,756** | 2,024 |

# Company statement of cash flows

For the year ended 31 December 2019

| | 2019<br>$000 | 2018<br>$000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Loss for the year | **(212)** | (160) |
| Adjusted for: | | |
| Financial income | **(38)** | (41) |
| Foreign exchange loss/(gain) | **107** | (163) |
| Decrease/(increase) in trade and other receivables | **692** | (131) |
| (Decrease)/increase in trade and other payables | **(20)** | 39 |
| **Cash generated from/(absorbed by) operations** | **529** | (456) |
| **Net cash inflow/(outflow) from operating activities** | **529** | (456) |
| **Cash flows from investing activities** | | |
| Interest received | **38** | 41 |
| **Net cash inflow from investing activities** | **38** | 41 |
| **Cash flows from financing activities** | | |
| Purchase of own shares | **(569)** | - |
| Dividends paid | **-** | - |
| **Net cash outflow from financing activities** | **(569)** | - |
| Net decrease in cash and cash equivalents | **(2)** | (415) |
| Cash and cash equivalents at 1 January | **22** | 437 |
| **Cash and cash equivalents at 31 December** | **20** | 22 |


## Championing customer service excellence

# Notes to the consolidated financial statements
# 1. Significant accounting policies

IndigoVision Group plc (the "Company") is a company domiciled and registered in Scotland. The consolidated financial statements of the Company for the year ended 31 December 2019 comprise those of the Company and its subsidiaries (together referred to as the "Group").

The address of its registered office is:

Charles Darwin House
The Edinburgh Technopole
Milton Bridge
Edinburgh
Midlothian
EH26 0PY

The financial statements were authorised for issue by the Directors on 5 March 2020.

## (a) Statement of compliance

Both the Company financial statements and the Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). On publishing the Company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements.

## (b) New Accounting Standards and Interpretations adopted

The Group 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 consolidated entity:

### (i) IFRS 16 'Leases'

The Group has adopted IFRS 16 from 1 January 2019. IFRS 16 replaces IAS 17 'Leases'. The Group previously split leases between 'finance leases' that transferred substantially all the risks and rewards incidental to ownership of the asset to the group, and 'operating leases'. This is described further in the accounting policies below.

The main change on application of IFRS 16 is the accounting for 'operating leases' where rentals payable (as adjusted for lease incentives) were previously expensed under IAS 17 on a straight-line basis over the lease term. Under IFRS 16 a right-of-use asset and a lease liability are recognised for all leases except 'low-value' and 'short' term leases where lease payments are recognised on a straight-line basis over the lease term.

The Group has applied IFRS 16 retrospectively to all leases, but has elected to recognise the cumulative effect against opening reserves at 1 January 2019. Therefore, the comparative figures are as previously reported under IAS 17. The Group has applied this approach subject to the transition provisions set out below.

- For all contracts that existed prior to 1 January 2019, the Group has not applied IFRS 16 to reassess whether each contract is, or contains, a lease.
- Initial direct costs have been excluded from the measurement of the right-of-use assets.
- Hindsight has been applied in determining the lease term for contracts that contain lease extension or termination options.

### Operating leases under IAS 17, except 'low value' and 'short-term' leases

The lease liability is measured at the present value of the remaining lease payments at 1 January 2019, discounted at the lessee's incremental borrowing rate at that date.

The right-of-use asset is measured at the amount of the lease liability recognised in accordance with the measurement set out above, adjusted for accrued or prepaid operating lease payments at 1 January 2019.

### 'Low-value' leases

When the value of the underlying asset (if new) at 1 January 2019 is $5,000 or less, the group has continued to recognise the lease payments associated with those leases on a straight-line basis over the lease term.

### 'Short-term' leases

Where the lease term ends before 31 December 2020, the Group has continued to recognise the lease payments associated with those leases on a straight-line basis over the lease term.

### Finance leases under IAS 17

The carrying amounts of the lease liability and right-of-use asset at 1 January 2019 are measured under IAS 17. IFRS 16 is applied thereafter.

The impact on the financial performance and position of the Group from the adoption of these Accounting Standards is detailed in note 17.

## (c) Basis of preparation

The financial statements are presented in US Dollars, rounded to the nearest thousand. They are prepared on the historical cost basis.

### (i) Going concern

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'.

# 1. Significant accounting policies (continued)

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 2019 the Group had cash and cash equivalents of $4.8m and net current assets of $13.6m.

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 2021 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.

### (ii) Management judgement, estimates and assumptions

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 period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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 period are discussed in note 29.

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

## (d) Basis of consolidation

### (i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to direct relevant activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All subsidiaries are 100% controlled.

### (ii) Transactions eliminated on consolidation

Intra-group balances, and income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Exchange gains and losses on intra-group balances remain on consolidation.

### (iii) Investments in subsidiaries

Investments by the Company in subsidiaries are carried at cost less provision for any impairment. The sterling value of the investments are translated to US dollars at the exchange rates ruling at the balance sheet date for presentation purposes in the Company financial statements.

## (e) Foreign currency

### (i) Functional currency

The Group's earnings stream is primarily US dollars and the principal functional currency is the US dollar, being the most representative currency of the Group. The Group's financial statements are therefore prepared in US dollars. The functional currency of the Company is sterling, however the accounts are presented in US dollar for consistency of presentation with those of the Group.

The exchange rates used in the preparation of these financial statements are stated in note 24.

### (ii) Foreign currencies

Income statements of entities whose functional currency is not US dollars are translated into US dollars at average rates of exchange for the period and assets and liabilities are translated into US dollars at the rates of exchange ruling at the balance sheet date. Exchange differences arising on translation of net assets in such entities held at the beginning of the year, together with those differences resulting from the restatement of profits and losses from average to year end rates, are taken to the currency translation reserve.

In each individual entity, transactions in overseas currencies are translated into the relevant functional currency at the exchange rates ruling at the date of the transaction. Where more than one exchange rate is available, the appropriate rate at which assets can be readily realised and liabilities can be extinguished is used. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rates ruling at the balance sheet date. Any exchange differences are taken to the income statement.

## (f) 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.

# 1. Significant accounting policies (continued)

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 3 – 10 years
- Plant and equipment 3 – 5 years
- Computer hardware 3 years
- Demonstration Equipment 2 years

The residual value and useful lives are reassessed annually.

### (iii) Initial and subsequent measurement of right-of-use assets

A right-of-use asset is recognised at commencement of the lease and initially measured at the amount of the lease liability, plus any incremental costs of obtaining the lease and any lease payments made at or before the leased asset is available for use by the Group.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses. The depreciation methods applied are as follows:

- Leased property - On a straight-line basis over the shorter of the lease term or estimated useful life
- Leased office equipment - On a straight-line basis over the shorter of the lease term or estimated useful life

### (iv) Finance lease assets

Leases under which the Group assume substantially all the risks and rewards of ownership of the leased asset were 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.

## (g) 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 Group'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 Group'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 (generally 2-10 years). 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 the software's estimated useful lives (generally 1-3 years). Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

### (iii) Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

## (h) Trade and other receivables

Trade and other receivables are stated at their fair value on initial recognition and then at amortised cost as reduced by appropriate allowances for specific estimated irrecoverable amounts and expected credit losses where necessary.

## (i) 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.

## (j) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts or other short term debt facilities that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

# 1. Significant accounting policies (continued)

## (k) Impairment

The carrying amounts of the Group's assets, other than inventories (see accounting policy (i)), trade and other receivables (see accounting policy (h)) and deferred tax assets (see accounting policy (t)), 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 (k(i))) Intangible assets with an indefinite life, such as goodwill, are subject to annual impairment testing.

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

### (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.

## (l) Lease liabilities

### Initial measurement of the lease liability

The lease liability is initially measured at the present value of the lease payments during the lease term discounted using the interest rate implicit in the lease, or the incremental borrowing rate if the interest rate implicit in the lease cannot be readily determined.

The lease term is the non-cancellable period of the lease plus extension periods that the group is reasonably certain to exercise and termination periods that the group is reasonably certain not to exercise.

### Subsequent measurement of the lease liability

The lease liability is subsequently increased for a constant periodic rate of interest on the remaining balance of the lease liability and reduced for lease payments. Interest on the lease liability is recognised in profit or loss.

Variable lease payments not included in the measurement of the lease liability as they are not dependent on an index or rate, are recognised in profit or loss in the period in which the event or condition that triggers those payments occurs.

### Short-term leases

Where the lease term is twelve months or less and the lease does not contain an option to purchase the leased asset, lease payments are recognised as an expense on a straight-line basis over the lease term.

### Leases of low-value assets

Leases where the underlying asset is 'low-value', lease payments are recognised as an expense on a straight-line basis over the lease term.

## (m) 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 period in which they are approved by the shareholders.

## (n) Employee benefits

### (i) Defined contribution pension 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 Group's share option programme allows eligible employees to acquire shares in the Company. The fair value of options granted is measured at grant date and recognised as an expense with a corresponding increase in equity spread over the period during which the employees become unconditionally entitled to the options. The fair value is measured using the Black-Scholes option valuation 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 number of share options for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of share options that meet the related service and non-market performance conditions at the vesting date, except where forfeiture is only due to share prices not achieving the threshold for vesting.

The proceeds received net of any directly attributable expenses are credited to share capital and share premium when the options are exercised against a fresh issue of shares.

Where the Company grants share options to the employees of its subsidiaries, it recognises an increase in the cost of its investment in its subsidiaries equivalent to the equity settled share based payment charge in the consolidated financial statements. The corresponding credit is recognised in equity.

# 1. Significant accounting policies (continued)

### (iii) Long term incentive plans

The Company has established the IndigoVision Group plc 2008 and 2018 Long Term Incentive Plan (the LTIPs). All employees and executive directors of the Group are eligible to be granted awards. 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 values 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 Group has established a number of share incentive plans to enable all employees and sales agents to purchase or notionally purchase shares in the Company, as set out in note 23.

The Company 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. The fair value is spread over the three year vesting period.

The IndigoVision Inc 2010 Restricted Stock Unit Plan, the International Agents Incentive Plan and the International Employee's Incentive Plan are cash settled plans. The Company matches each share notionally purchased through these schemes on a 1:1 basis. The Group accounts for the liability for the free notional share by marking to market at each financial period end.

## (o) Employee share trusts

The Company has established a share trust, "The IndigoVision Group plc Employee Benefit Trust" which is separately administered and funded by loans from the Company. The Company recognises the assets and liabilities of the Trust in its own accounts.

## (p) Provisions

A provision is recognised in the balance sheet when the Group 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 a range of possible outcomes against their associated probabilities.

## (q) Trade and other payables

Trade and other payables are not interest bearing and are stated at their fair value at inception and then at amortised cost.

## (r) 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 in length, royalty income earned during the period, and excludes sales taxes.

### (i) Product revenues

Revenue from the sale of goods which includes hardware and perpetual software licences are 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 or activation.

### (ii) Technical support activities

Revenue from technical support activities is recognised on completion of the service.

### (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.

### (iv) Extended warranty

Revenue from the sale of extended warranty services is deferred and is recognised across the period to which the extended warranty relates.

## (s) Expenses

### Net financing expense

Net financing expense comprises interest payable and associated costs charged on borrowings and interest receivable on cash deposits.

Interest recognised on lease liabilities under IFRS 16 is also recognised within net financing expense.

## (t) 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 period 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

# 1. Significant accounting policies (continued)

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 within a reasonable period of time. 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 within a reasonable period of time. Deferred tax is calculated using tax rates that are enacted or substantively enacted at the balance sheet date.

## (u) Earnings per share

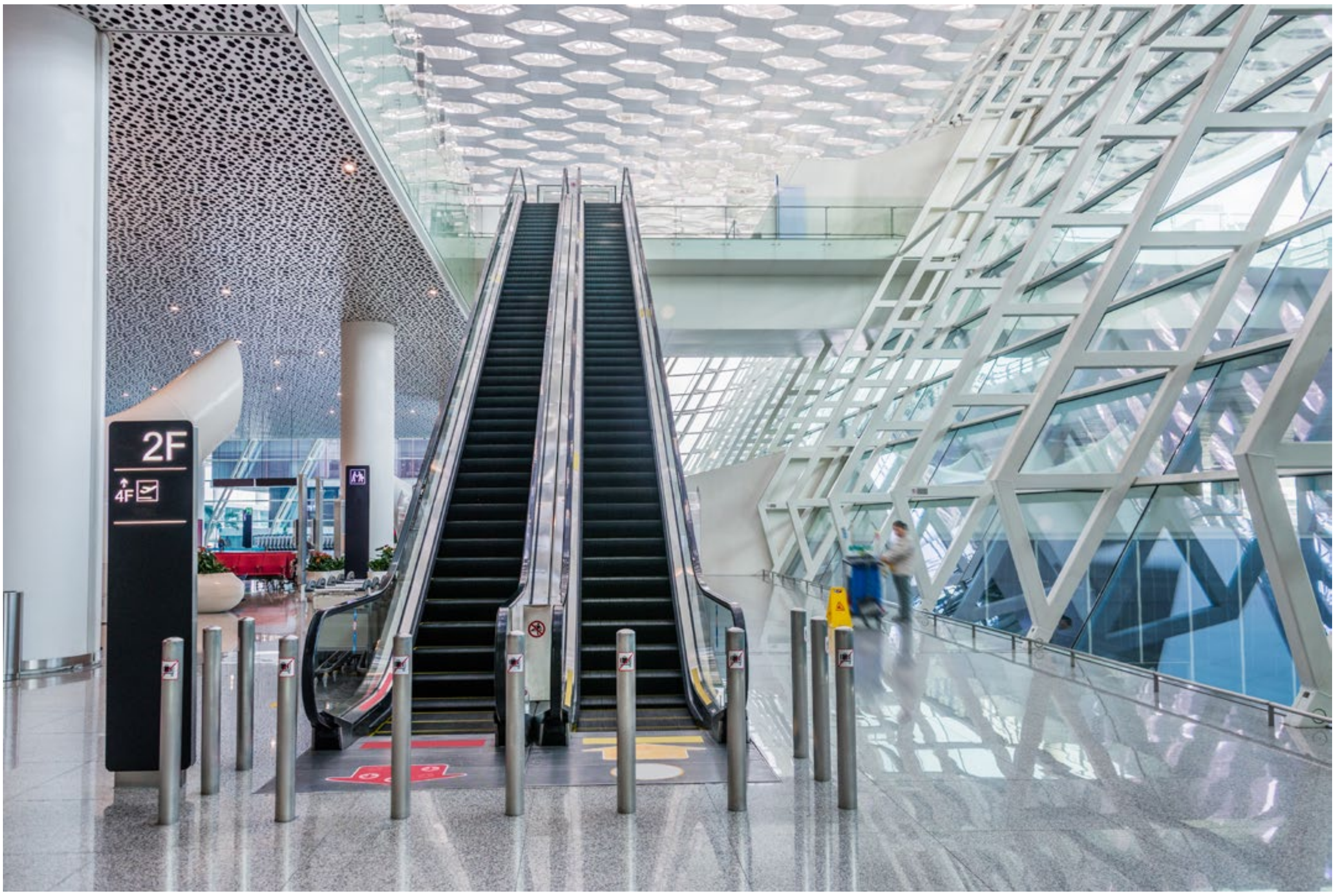
Basic earnings per share is calculated by dividing the profit and loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue during the period, excluding shares held by the Employee Benefit Trust and shares held in treasury, which are treated as cancelled. Diluted earnings per share is determined by adjusting the weighted average number of ordinary shares outstanding for the effects of potentially dilutive ordinary shares, which comprise share options granted.

Adjusted earnings per share adds back any exceptional costs to the profit or loss attributable to ordinary shareholders and one off share based payment charges. Adjusted earnings per share has been presented to better reflect the underlying financial performance of the business and to align more closely with management targets and rewards.

## (v) New standards and interpretations not yet adopted

The 2019 financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The adoption of new standards and interpretations will not have a material impact on future financial statements.



# 2. Segment reporting

The Board reviews the Group's internal reporting in order to assess performance and to allocate resources. The Board assesses the performance of the following geographical sales regions: primarily Europe; Middle East and Africa; North America; Latin America; and Asia Pacific and has therefore determined these as the operating segments.

The Board considers the performance of the operating segments based on regional sales and Group-wide gross margin before warranty costs. The operating segments derive their revenue from the sale of software, hardware products and services. Capital is not allocated to geographical regions and substantially all of the Group's income and expenditure is incurred by its UK trading subsidiary, IndigoVision Limited. The information currently provided to the Board is measured in a manner which is consistent with the financial statements.

Segment information is also presented in the respect of the Group's products and services which have different economic characteristics, including the sale of end-to-end video security solutions, consultancy services and multi-year software upgrade plans.

## Operating segments

| | **2019** | 2018 |
|---|---|---|
| **Regional Sales** | **$'000** | $'000 |
| Europe, Middle East and Africa | **19,866** | 19,419 |
| North America | **15,907** | 13,149 |
| Latin America | **3,583** | 5,513 |
| Asia Pacific | **10,828** | 7,883 |
| | **50,184** | 45,964 |

All sales are to third parties and all segment results are from continuing activities. The gross margin earned in each region is comparable and the majority of overheads are incurred centrally and are therefore unallocated to each region.

Revenues derived from external customers based in the UK were $7,312,000 (2018: $6,421,000).

## Analysis of revenue

| | **2019** | 2018 |
|---|---|---|
| | **$'000** | $'000 |
| Revenues from: | | |
| Products/solutions | **37,657** | 33,599 |
| Support services | **16** | 35 |
| Software licences | **8,559** | 8,989 |
| Software Upgrade Contracts | **3,894** | 3,341 |
| Extended warranties | **58** | - |
| | **50,184** | 45,964 |

# 3. Operating loss

| | 2019<br>$'000 | 2018<br>$'000 |
|---|---|---|
| Operating profit/(loss) is stated after charging: | | |
| Depreciation and amortisation | 1,098 | 886 |
| Exceptional costs - cost of raising debt | 202 | - |
| Exceptional costs - acquisition costs | 201 | - |
| Share based payment charge | 260 | 25 |
| Foreign exchange loss | 193 | 206 |
| Allowance for/(recovery of) doubtful trade receivables | 73 | (234) |
| Net write down of inventories to realisable value | 426 | 321 |
| Research & development expenditure | 3,299 | 3,311 |
| Fees payable to the Group's auditor: | | |
| Audit of these financial statements (Group and Company) | 83 | 55 |
| Tax compliance and advisory | 24 | 21 |
| All other services | 26 | - |
| Fees payable to related entities of the Group's auditor: | | |
| Audit of subsidiary companies | 15 | - |
| Tax compliance and advisory | 6 | 3 |
| All other services | 6 | 2 |

# 4. Personnel expenses

| Group | 2019 $'000 | 2018 $'000 |
|---|---|---|
| Wages and salaries | **10,253** | 9,725 |
| Compulsory social security contributions | **841** | 833 |
| Contributions to defined contribution pension plans | **628** | 593 |
| Equity-settled share based payment transactions | **260** | 25 |
| | **11,982** | 11,176 |

The figures above include $223,000 of development costs incurred in the year and are therefore recognised as an addition to Intangible assets.

Directors' remuneration is also included, and disclosed separately in the Directors Report.

| Average number of employees, including Executive Directors and excluding retained agents, by activity | 2019 Number | 2018 Number |
|---|---|---|
| Selling and distribution | **75** | 63 |
| Research & Development | **40** | 36 |
| Administration | **26** | 25 |
| | **141** | 124 |

No personnel expenses are paid directly by the Company.

# 5. Net financing (expense)/income

| Group | 2019 $'000 | 2018 $'000 |
|---|---|---|
| Bank interest receivable | **2** | - |
| Interest payable on borrowings | **(141)** | - |
| Interest on lease liabilities | **(87)** | - |
| Interest charged on accounts receivable | **-** | 1 |
| Cost of raising borrowings | **(11)** | - |
| Net financial (expense)/income | **(237)** | 1 |

# 6. Income taxes

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| **Current tax expense/(credit)** | | |
| UK tax | **(52)** | (336) |
| UK tax - prior year adjustment | **69** | (127) |
| Overseas tax | **51** | 10 |
| Overseas tax – prior year adjustment | **-** | 2 |
| | **68** | (451) |
| **Deferred tax (credit)/expense** | | |
| Origination and reversal of temporary differences | **(353)** | - |
| Reduction in tax rates | **-** | - |
| Adjustments relating to prior year trading losses | **(59)** | 114 |
| | **(412)** | 114 |
| Total income tax expense/(credit) in income statement | **(344)** | (337) |

## Recognised in the income statement

The Group trades principally through its UK subsidiary, IndigoVision Limited. The current tax credit relates to research and development expenditure at 14.50%.

The extent to which a deferred tax asset is recognised is dependent on estimates of future trading over an extended period of time and the extent to which research and development costs may be eligible for research and development tax credits in the future. The Group anticipates increasing its investment in research and development proportional to sales growth.

Based on the Group's trading assumptions the deferred tax asset is expected to be realised from 2020 onwards, with the Group generating taxable profits and will be realised over a period of five years. As a result, the deferred tax asset has been valued based upon a future UK Corporation tax rate of 17.00%.

The deferred tax asset is denominated in sterling and as such is subject to exchange rate fluctuations. Such exchange rate movements are dealt with as part of the deferred tax income or expense for the year.

# 6. Income taxes (continued)

## Reconciliation of effective tax rate

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | % | $'000 | % | $'000 |
| Profit/(loss) before tax | | **1,321** | | (639) |
| Income tax using the UK corporation tax rate | **19.00** | **251** | 18.97 | (121) |
| Other permanent differences | **-** | **-** | (1.57) | 10 |
| Non-deductible expenses | **10.30** | **136** | (12.70) | 81 |
| Fixed asset timing difference | **1.21** | **16** | (0.78) | 5 |
| Deduction for R&D expenditure | **(34.90)** | **(461)** | 68.00 | (433) |
| Surrender of tax losses for R&D tax credit refund | **1.29** | **17** | (17.40) | 111 |
| Other tax adjustments, reliefs and transfers | **(0.15)** | **(2)** | - | - |
| Deferred tax not recognised | **(29.90)** | **(395)** | (20.69) | 132 |
| Tax losses utilised | **-** | **-** | 0.16 | (1) |
| Adjustments to brought forward balances | **0.61** | **8** | (1.88) | 12 |
| Adjust deferred tax to average rate of 19% | **0.15** | **2** | (0.31) | 2 |
| Prior year adjustment – current tax | **5.07** | **67** | 19.91 | (127) |
| Temporary difference not recognised in computation | **(0.45)** | **(6)** | 2.66 | (17) |
| Exchange difference arising on movement between opening and closing spot rates – current tax | **(1.06)** | **(14)** | - | - |
| Overseas taxes credit | **3.03** | **40** | (1.88) | 12 |
| Effect of tax rate change on deferred tax asset | **(0.23)** | **(3)** | 0.47 | (3) |
| Total | **(26.03)** | **(344)** | 52.96 | (337) |

At 31 December 2019 tax losses generated outside the UK available for offset against future profits, amounted to approximately $1.7m (2018: $1.7m); using an income tax rate of 19.00% (2018: 19.00%) this is equivalent to an asset of $0.3m (2018: $0.3m). However, due to continuing uncertainty over the timing of suitable profits and the fact that such losses will eventually time expire, no asset is currently being recognised in the consolidated financial statements in respect of such losses.

No provision for corporation tax is required due to the substantial tax losses available for offset against future taxable profits. At 31 December 2019 such losses amounted to $27.2m, the deferred tax asset in relation to these trading losses is $2.1m, which has been recognised in the financial statements.

# 7. Earnings per share

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| **Earnings per share** | | |
| Profit/(loss) for the year attributable to equity shareholders (basic and diluted) | **1,665** | (302) |
| Exceptional costs - cost of raising debt | **202** | - |
| Exceptional costs - acquisition costs | **201** | - |
| Share based payment charge – Long Term Incentive Plans | **236** | - |
| Adjusted profit/(loss) for the year attributable to equity shareholders | **2,304** | (302) |

| | | |
|---|---|---|
| Basic earnings per share (cents) | **22.7** | (4.1) |
| Diluted earnings per share (cents) | **22.5** | (4.1) |
| Adjusted earnings per share (cents) | **31.5** | (4.1) |

The weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share for each period were calculated as follows:

| | 2019 Number of shares | 2018 Number of shares |
|---|---|---|
| Issued ordinary shares at start of year | **7,610,756** | 7,610,756 |
| Effect of weighted average of shares issued during the period | **3,489** | - |
| Effect of purchase of own shares | **(289,978)** | (229,238) |
| Weighted average number of ordinary shares for the year – for basic earnings per share | **7,324,267** | 7,381,518 |
| Effect of share options in issue | **62,337** | - |
| Weighted average number of ordinary shares for the year – for earnings per share | **7,386,604** | 7,381,518 |

## Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2019 was based on the profit attributable to equity shareholders of $1,665,000 (2018 loss: $302,000) and a weighted average number of ordinary shares during the year ending 31 December 2019 of 7,324,267 (2018: 7,381,518), calculated as shown above.

## Diluted earnings per share

The calculation of diluted earnings per share for the year ended 31 December 2019 was based on the profit attributable to equity shareholders of $1,665,000 (2018 loss: $302,000) and a weighted average number of ordinary shares during the year ending 31 December 2019 of 7,386,604 (2018: 7,381,518), calculated as shown above.

## Adjusted earnings per share

The calculation of adjusted earnings per share for the year ended 31 December 2019 was based on the profit attributable to equity shareholders of $1,665,000 (2018 loss: $302,000), to which the exceptional costs of $403,000 (2018: $ nil) and the share based payments charges relating to LTIP's of $236,000 (2018: $ nil) have been added back. A weighted average number of ordinary shares during the year ending 31 December 2019 of 7,324,267 (2018: 7,381,518), calculated as shown above. Adjusted earnings per share has been presented to better reflect the underlying financial performance of the business and to align more closely with management targets and rewards. Adjusted EPS takes into account the one-off nature of the exceptional costs incurred in 2019 and the charges associated with the 2008 and 2018 Long Term Incentive Plans. Given the recent turnaround nature of the business, the accounting for the costs of the 2018 LTIP under IFRS 2 disproportionately affects the 2019 EPS.

# 8. Property, plant and equipment

| Group | Right of use asset<br>$'000 | Plant and equipment<br>$'000 | Fixtures and fittings<br>$'000 | Computer hardware<br>$'000 | Demo equipment<br>$'000 | **Total**<br>**$'000** |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 31 December 2017 | - | 1,923 | 1,090 | 1,605 | 1,612 | **6,230** |
| Additions | - | 91 | 1 | 86 | 97 | **275** |
| Disposals | - | - | - | - | (64) | **(64)** |
| As previously reported at 31 December 2018 | - | 2,014 | 1,091 | 1,691 | 1,645 | **6,441** |
| Additional right-of-use assets on transition to IFRS 16 | 2,123 | - | - | - | - | **2,123** |
| Revised balances as restated at 1 January 2019 | 2,123 | 2,014 | 1,091 | 1,691 | 1,645 | **8,564** |
| Additions – owned assets | - | 83 | - | 143 | 42 | **268** |
| Additions – owned assets through business combinations | - | - | 14 | 7 | - | **21** |
| Additions – right of use assets | 13 | - | - | - | - | **13** |
| Disposals | - | (3) | - | - | (3) | **(6)** |
| At 31 December 2019 | 2,136 | 2,094 | 1,105 | 1,841 | 1,684 | **8,860** |
| **Depreciation** | | | | | | |
| At 31 December 2017 | - | 1,589 | 633 | 1,353 | 1,151 | **4,726** |
| Depreciation charge for the period | - | 175 | 113 | 110 | 355 | **753** |
| Disposals | - | - | - | - | (27) | **(27)** |
| At 31 December 2018 | - | 1,764 | 746 | 1,463 | 1,479 | **5,452** |
| Depreciation charge for the year | 297 | 205 | 99 | 165 | 123 | **889** |
| Disposals | - | (3) | - | - | - | **(3)** |
| At 31 December 2019 | 297 | 1,966 | 845 | 1,628 | 1,602 | **6,338** |
| **Net Book Value** | | | | | | |
| At 31 December 2017 | - | 334 | 457 | 252 | 461 | **1,504** |
| At 31 December 2018 | - | 250 | 345 | 228 | 166 | **989** |
| At 31 December 2019 | 1,839 | 128 | 260 | 213 | 82 | **2,522** |

At 31 December 2018 the net book value of computer hardware are assets held under finance leases was $17,000 after charging depreciation of $17,000.

There was no property, plant and equipment held in the Company at 31 December 2019.

# 9. Intangible assets

| **Group** | Intangible assets under Construction $'000 | Computer software $'000 | Development Costs $'000 | Goodwill $'000 | **Total $'000** |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 31 December 2017 | - | 959 | - | - | **959** |
| Additions | 133 | - | - | - | **133** |
| At 31 December 2018 | 133 | 959 | - | - | **1,092** |
| Additions | 43 | 12 | 245 | - | **300** |
| Additions through business combinations | - | - | 2,572 | 1,016 | **3,588** |
| Completed assets under construction | (176) | 176 | - | - | **-** |
| Difference on translation | - | - | 20 | - | **20** |
| At 31 December 2019 | - | 1,147 | 2,837 | 1,016 | **5,000** |
| **Amortisation and impairment losses** | | | | | |
| At 31 December 2017 | - | 607 | - | - | **607** |
| Amortisation for the year | - | 133 | - | - | **133** |
| At 31 December 2018 | - | 740 | - | - | **740** |
| Amortisation for the year | - | 119 | 90 | - | **209** |
| At 31 December 2019 | - | 859 | 90 | - | **949** |
| **Net book value** | | | | | |
| At 31 December 2017 | - | 352 | - | - | **352** |
| At 31 December 2018 | 133 | 219 | - | - | **352** |
| At 31 December 2019 | - | 288 | 2,747 | 1,016 | **4,051** |

There were no intangible assets held in the Company at 31 December 2019.

# 10. Investments

| Group<br>Financial Investments | 2019<br>$'000 | 2018<br>$'000 |
|---|---|---|
| **Cost** | | |
| At start of period | **-** | - |
| Additions – investments through business combinations | **23** | - |
| Difference on translation | **4** | - |
| At end of period | **27** | - |

| Company<br>Investments in subsidiaries | 2019<br>$'000 | 2018<br>$'000 |
|---|---|---|
| **Cost** | | |
| At start of period | **2,217** | 2,337 |
| Increase in respect of share based payments | **260** | 25 |
| Difference on translation | **82** | (145) |
| At end of period | **2,559** | 2,217 |

## All subsidiaries

| | | | Ownership interest (direct) | |
|---|---|---|---|---|
| | **Registered office address** | **Country of incorporation** | **2019 %** | 2018 % |
| IndigoVision Ltd | Charles Darwin House, Edinburgh Technopole, Milton Bridge, Penicuik, Midlothian, EH26 0PY | Scotland | **100** | 100 |
| 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.o 815, 4o 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 UK Ltd | Condor House, 10 St Paul's Churchyard, London, EC4M 8AL | England & Wales | **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 | Room 405, No. 553 Mao Tai Road, Chang Ning District, Shanghai, China, 200336 | China | **100** | 100 |
| AgoraSys S.A | Rua da Cova da Moura, n. 2 - 3º Esq.,1350-117,Lisbon | Portugal | **100** | - |
| Observit S.L. | C/ Marques de Ahumada, 7 - 2º, 28028 Madrid | Spain | **100** | - |

# 11. Deferred tax assets and liabilities

## Recognised deferred tax balances

Deferred tax assets and liabilities are attributable to the following:

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| Employee benefits – share based payments | **24** | 24 |
| Value of tax losses carried forward | **2,042** | 1,671 |
| Depreciation in excess of capital allowances | **79** | 32 |
| Deferred tax on acquisition accounting intangibles | **(310)** | - |
| Other timing differences | **(1)** | 5 |
| Tax assets and liabilities | **1,834** | 1,732 |

## Unrecognised deferred tax assets

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

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| Tax losses - UK | **2,622** | 3,009 |
| Tax losses - Non UK | **314** | 314 |
| | **2,936** | 3,323 |

## Movement in temporary differences during the period

| | 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** |

| | 1 January 2019 $'000 | Recognised in income $'000 | Recognised on acquisition $'000 | 31 December 2019 $'000 |
|---|---|---|---|---|
| Employee benefits – share-based payments | 24 | - | - | **24** |
| Tax value of losses carried forward | 1,671 | 371 | - | **2,042** |
| Depreciation in excess of capital allowances | 32 | 47 | - | **79** |
| Deferred tax on acquisition accounting intangibles | - | - | (310) | **(310)** |
| Other timing differences | 5 | (6) | - | **(1)** |
| | 1,732 | 412 | (310) | **1,834** |

# 12. Inventories

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| Raw materials and consumables | **189** | 234 |
| Finished goods | **8,285** | 7,777 |
| | **8,474** | 8,011 |

The write-down of inventories to net realisable value amounted to $426,000 (2018: $321,000). In the 12 month period, raw material, consumables and changes to finished goods recognised as cost of sales amounted to $20,865,000 (2018: $19,423,000).

# 13. Trade and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| | **2019 $'000** | 2018 $'000 | **2019 $'000** | 2018 $'000 |
| Trade receivables | **14,241** | 11,907 | **-** | - |
| Amounts due from subsidiary undertakings | **-** | - | **923** | 1,637 |
| Other receivables | **1,691** | 2,165 | **38** | 16 |
| Prepayments and accrued income | **723** | 619 | **-** | - |
| | **16,655** | 14,691 | **961** | 1,653 |

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 24.

# 14. Cash and cash equivalents

| | Group | | Company | |
|---|---|---|---|---|
| | **2019 $'000** | 2018 $'000 | **2019 $'000** | 2018 $'000 |
| Bank balances and cash and cash equivalents in the statement of cash flows | **4,756** | 2,024 | **20** | 22 |

The Group's exposure to interest rate risk is disclosed in note 24. Cash balances include $0.2m which is held by Royal Bank of Scotland plc to provide security for Group's credit card facility and duty deferment bond.

# 15. Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| | **2019 $'000** | 2018 $'000 | **2019 $'000** | 2018 $'000 |
| Trade payables | **8,561** | 5,227 | **-** | - |
| Taxation and social security | **356** | 235 | **-** | - |
| Finance lease assets: due with one year | **-** | 13 | **-** | - |
| Other payables | **350** | 180 | **19** | 39 |
| Extended warranty income | **45** | - | **-** | - |
| Accruals | **1,758** | 1,357 | **-** | - |
| Deferred income | **2,324** | 2,176 | **-** | - |
| | **13,394** | 9,188 | **19** | 39 |

# 16. Borrowings

The total secured liabilities (current and non-current) are as follows:

| | 2019<br>$'000 | 2018<br>$'000 |
|---|---|---|
| Debt facility | **2,564** | - |
| Lease liabilities | **1,886** | - |

## Assets pledged as security

### Group

An asset based debt facility of $10,000,000 is secured by certain of IndigoVision Limited's inventory and trade receivables and by the assets of IndigoVision Group plc, IndigoVision Inc and IndigoVision Australia Pty Ltd.

The lease liabilities are effectively secured as the rights to the leased assets, recognised in the consolidated statement of financial position, revert to the lessor in the event of default.

### Company

IndigoVision Group plc has given a fixed and floating charge over its assets in favour of FGI Worldwide LLC and has guaranteed the performance of IndigoVision Limited under the FGI Worldwide LLC debt facility.

## Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

| | 2019<br>$'000 | 2018<br>$'000 |
|---|---|---|
| Debt facility (maximum availability) | **10,000** | - |
| Debt facility (availability at the reporting date) | **6,429** | - |
| Debt facility used at the reporting date | **2,564** | - |
| Debt facility unused at the reporting date | **3,865** | - |

# 17. Leases

Disclosure of the carrying amounts of right-of-use assets by class and additions to right-of-use assets has been provided in the 'property, plant and equipment' note on page 46.

Effect of leases on financial performance:

| | **2019** | 2018 |
|---|---|---|
| | **$'000** | $'000 |
| Depreciation charge for the year included in 'administrative expenses' for right-of-use assets: | | |
| - Leasehold property | **296** | - |
| - Computer hardware | **1** | - |
| Total depreciation charge on leased assets | **297** | - |

The carrying amount of right-of-use assets at 31 December 2019 was $1,839,000.

| | **2019** | 2018 |
|---|---|---|
| | **$'000** | $'000 |
| Lease expense in the year included in 'administrative expenses' for: | | |
| - Short-term leases, excluding leases with a term of one month or less | **228** | - |
| - Leases of low-value assets, excluding Short-term leases disclosed above | **3** | - |
| | **231** | - |

The total interest expense for the year on lease liabilities recognised in 'finance costs' was $87,000 (2018: $nil) and the total cash outflow for lease liabilities in the year was $393,000.

The maturity of the gross contractual undiscounted cash flows due on the Group's lease liabilities is set out below based on the period between 31 December and the contractual maturity date:

| | **Within 6 months** | **6 months - 1 year** | **1-5 years** | **Over 5 years** | **Total as at 31 December 2019** |
|---|---|---|---|---|---|
| Property leases | 174 | 174 | 1,404 | 361 | 2,113 |
| Office equipment leases | 2 | 2 | 6 | - | 10 |
| | 176 | 176 | 1,410 | 361 | 2,123 |

# 17. Leases (continued)

Differences between the operating lease commitments disclosed at 31 December 2018 under IAS 17 discounted at the incremental borrowing rate at 1 January 2019 and lease liabilities recognised at 1 January 2019 are explained below:

| | Operating lease commitments at 31 December 2018<br>$'000 | Incremental borrowing rate at 1 January 2019<br>% | Discounted lease commitment at 1 January 2019<br>$'000 | Lease liability recognised at 1 January 2019<br>$'000 | Explanation for difference |
|---|---|---|---|---|---|
| Head office property lease | 640 | 5.0% | 554 | 1,858 | Full term of lease (beyond break clause date) considered under IFRS 16 |
| US property lease | - | 5.0% | 182 | 265 | Not disclosed as an operating lease in the year ended 31 December 2018 |
| Other UK property lease | 77 | 5.0% | 74 | - | Short term lease |
| Dubai property lease | 3 | 5.0% | 3 | - | Short term lease |
| Canada property lease | 47 | 5.0% | 45 | - | Short term lease |
| Brazil property lease | 15 | 5.0% | 14 | - | Short term lease |
| UK office equipment | 7 | 5.0% | 7 | - | Comprises short term leases |
| ERP system | 216 | 5.0% | 202 | - | Lease of intangible asset excluded under IFRS 16 s4 |
| | 1,005 | | 1,081 | 2,123 | |

# 18. Provisions

| Group product warranties | **2019**<br>**$'000** | 2018<br>$'000 |
|---|---|---|
| Balance at start of period | **183** | 183 |
| Provision made during the period | **584** | 479 |
| Provision used during the period | **(570)** | (479) |
| Balance at the end of the period | **197** | 183 |
| Non-current | **84** | 45 |
| Current | **113** | 138 |
| | **197** | 183 |

The provision relates to possible claims on products sold during the standard 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 three to five years.

# 19. Other non-current liabilities

| Group | 2019<br>$'000 | 2018<br>$'000 |
|---|---|---|
| Deferred income | **1,569** | 1,600 |
| Extended warranty income | **572** | 329 |
| International Agents Incentive plan | **3** | 3 |
| | **2,144** | 1,932 |

# 20. Capital and reserves

| Ordinary shares | 2019 Number of shares | 2018 Number of shares |
|---|---|---|
| In issue at start of period | **7,610,756** | 7,610,756 |
| Issued for cash on exercise of employee share options | **-** | - |
| In issue at end of period - fully paid | **7,610,756** | 7,610,756 |

At 31 December 2019, the issued share capital comprised 7,610,756 ordinary shares (2018: 7,610,756) which have a nominal value of 1 pence per share. All issued shares are fully paid.

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.

## Share premium

The share premium arose primarily on 2 August 2000 when the Company was listed on the London Alternative Investment Market.

## Translation reserve

The translation reserve comprises all foreign exchange differences from the 1 August 2006, the IFRS transition date, arising from the translation of the financial statements of the Company and subsidiaries where their functional currency is different from the Group's presentation currency.

## Other reserve

The other reserve arose on the acquisition of IndigoVision Limited in 2000 prior to listing on the London Stock Exchange when merger accounting, which was permitted under applicable accounting standards at that time, was adopted. As this was before the date of transition to IFRS, advantage has been taken of the provisions of IFRS1 such that the accounting for this business combination has not been restated.

## Treasury/own shares reserve

During 2019 eighteen separate purchases of shares, totalling 210,000 shares, were made to be held in Treasury. Following the acquisition of AgoraSys SA, 34,422 shares held in Treasury were issued as part satisfaction of the Acquisition Consideration. The total number of shares held in Treasury at 31 December 2019 was 272,816 (2018: 97,238).

## Employee Benefit Trust

Offset within the profit and loss account is an amount of $848,579 (2018: $848,579) representing the cost of own shares held within the Employee Benefit Trust. The nominal value of own shares held is £1,320.

# 21. Finance Leases

Finance lease obligations at 31 December 2018 were:

| 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 |

# 22. Contingent Liabilities

## HMRC Duty deferment

The Group has provided a bank guarantee of £60,000 in relation to UK duty deferment.

# 23. Share based payments

## Share option schemes

The 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 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 to replace the former, which had reached the end of its ten year life.

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 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 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 has sole discretion to grant share options through stand-alone option agreements to sales agents or other consultants or advisors to the Group. 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 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 Group.

## The Share Incentive Plan 2010 (SIP)

On 10 August 2010, the 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 by means of a deduction made from gross pay. The 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 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 Company established the IndigoVision Group plc Employee Benefit Trust for the purpose of encouraging and facilitating the acquisition and holding of shares in the Company for the benefit of employees of the Group. As at 31 December 2018 and 2019, 132,000 shares in the Company had been acquired by the Employee Benefit Trust.

## The Long Term Incentive Plan (LTIP) 2018

On 24 October 2018, the 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 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 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 which remain outstanding:

| | Number of units |
|---|---|
| Pedro Simoes | 375 |
| Chris Lea | 375 |

# 23. Share based payments (continued)

On 13 August 2019, the Remuneration Committee formalised an incentive plan for the executives that becomes effective only in the event the Company is acquired for more than £2.75 per share prior to 31 December 2020. This cash incentive plan entitles the executives to share in up to a maximum 10% of the increase in shareholder value created above a share price of £1.43. Any cash award to the participants under this plan will be reduced by any share based payment awards that vest under either the 2008 or 2018 Long Term Incentive Plans. No expense has been recognised during the year in respect of this cash-settled share based payment.

## 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 | 7,611 | 3 years from date of grant | 10 years |
| 20 April 2012 | 18,000 | 3 years from date of grant | 10 years |
| 9 January 2013 | 13,437 | 3 years from date of grant | 10 years |
| 19 December 2013 | 12,234 | 3 years from date of grant | 10 years |
| 26 March 2015 | 13,778 | 3 years from date of grant | 10 years |
| **The 2008 Share Option Plan** | | | |
| 29 April 2010 | 6,389 | 3 years from date of grant | 10 years |
| 19 December 2013 | 15,266 | 3 years from date of grant | 10 years |
| 26 March 2015 | 12,222 | 3 years from date of grant | 10 years |
| **The 2018 EMI Employee Share Option Plan** | | | |
| 17 April 2019 | 34,000 | 3 years from date of grant | 10 years |
| **The Stand-Alone Option Agreements** | | | |
| 19 December 2013 | 83,000 | Individually determined (typically 3 years) | 10 years |
| 26 March 2015 | 130,000 | 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 |

# 23. Share based payments (continued)

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

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | **Weighted average exercise price £** | **Number of options** | Weighted average exercise price £ | Number of options |
| **The 2008 Approved Share Option Plan** | | | | |
| Outstanding at the beginning of the period | **3.75** | **21,477** | 3.75 | 24,477 |
| Granted during the period | **-** | **-** | - | - |
| Forfeited during the period | **3.75** | **(4,000)** | 3.75 | (3,000) |
| Outstanding at the end of the period | **3.75** | **17,477** | 3.75 | 21,477 |
| **The 2008 Unapproved Share Option Plan** | | | | |
| Outstanding at the beginning of the period | **3.85** | **5,023** | 3.85 | 12,023 |
| Granted during the period | **-** | **-** | - | - |
| Forfeited during the period | **-** | **-** | 3.45 | (7,000) |
| Outstanding at the end of the period | **3.85** | **5,023** | 3.85 | 5,023 |
| **The 2008 Stock Option Plan** | | | | |
| Outstanding at the beginning of the period | **3.59** | **2,000** | 3.59 | 2,000 |
| Granted during the period | **-** | **-** | - | - |
| Forfeited during the period | **-** | **-** | - | - |
| Outstanding at the end of the period | **3.59** | **2,000** | 3.59 | 2,000 |
| **The Stand Alone Option Agreements** | | | | |
| Outstanding at the beginning of the period | **1.55** | **31,000** | 1.55 | 163,650 |
| Granted during the period | **-** | **-** | - | |
| Forfeited during the period | **-** | **-** | 0.94 | (132,650) |
| Exercised during the period | **-** | **-** | - | - |
| Outstanding at the end of the period | **1.55** | **31,000** | 1.55 | 31,000 |
| **The 2008 Long Term Incentive Plan** | | | | |
| Outstanding at the beginning of the period | **-** | **240,500** | - | 299,300 |
| Granted during the period | **-** | **-** | - | - |
| Forfeited during the period | **-** | **(30,000)** | - | (58,800) |
| Exercised during the period | **-** | **-** | - | - |
| Outstanding at the end of the period | **-** | **210,500** | - | 240,500 |
| **The 2018 EMI Employee Share Option Plan** | | | | |
| Outstanding at the beginning of the period | **-** | **-** | - | - |
| Granted during the period | **1.43** | **34,000** | - | - |
| Forfeited during the period | **-** | **-** | - | - |
| Exercised during the period | **-** | **-** | - | - |
| Outstanding at the end of the period | **1.43** | **34,000** | - | - |

# 23. 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 (2018: £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 (2018: £0.01 to £5.00) and a weighted average remaining contractual life of 6.3 years (2018: 3.9 years).

The options outstanding at 31 December 2019 have an exercise price in the ranges summarised below:

| Exercise Price Range | Number of options outstanding at 31 December 2019 | Weighted average remaining contractual life (years) |
|---|---|---|
| £0.01- £3.44 | **54,000** | 7.9 |
| £3.45 - £4.49 | **33,500** | 4.0 |
| £4.50 - £5.00 | **2,000** | 0.3 |
| | **89,500** | 6.3 |

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 $260,000 (2018: $25,000). Of this, $260,000 (2018: $25,000) arose from equity-settled share based payments.

| Recognised in income statement | 2019 $'000 | 2018 $'000 |
|---|---|---|
| Share options granted in 2015 | **-** | 7 |
| Share options granted in 2016 | **3** | 8 |
| Share options granted in 2017 | **123** | 7 |
| Share options granted in 2018 | **127** | 3 |
| Share options granted in 2019 | **7** | - |
| Total expense recognised as employee costs (note 4) | **260** | 25 |

# 24. Financial instruments

The Group's principal financial instruments as at 31 December 2019 consist of cash and cash equivalents which are used to finance group operations together with trade receivables and trade payables which arise directly from the Group's operations.

During the periods ended 31 December 2019 and 31 December 2018, the Group 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 Group does not hold or issue derivative financial instruments for trading purposes.

The Group 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 Group 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 with high credit ratings.

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:

| | | Group | | Company | |
|---|---|---|---|---|---|
| | **Note** | **2019 $'000** | 2018 $'000 | **2019 $'000** | 2018 $'000 |
| Trade and other receivables | 13 | **15,932** | 14,072 | **961** | 1,653 |
| Cash and cash equivalents | 14 | **4,756** | 2,024 | **20** | 22 |
| | | **20,688** | 16,096 | **981** | 1,675 |

The Company has limited exposure to trade receivables as receivable balances are due from group companies and related parties.

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

| | **2019** | 2018 |
|---|---|---|
| | **$'000** | $'000 |
| Europe, Middle East and Africa | **5,894** | 5,354 |
| North America | **5,067** | 3,841 |
| Latin America | **1,976** | 2,284 |
| Asia Pacific | **2,445** | 1,634 |
| | **15,382** | 13,113 |

# 24. Financial instruments (continued)

## Impairment losses

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

| | **Gross 2019 $'000** | **Impairment 2019 $'000** | Gross 2018 $'000 | Impairment 2018 $'000 |
|---|---|---|---|---|
| Not past due | **9,710** | **-** | 6,529 | - |
| 0-30 days overdue | **2,262** | **-** | 3,946 | - |
| 31-60 days overdue | **504** | **-** | 774 | - |
| More than 61 days overdue | **2,906** | **(1,141)** | 1,864 | (1,206) |
| | **15,382** | **(1,141)** | 13,113 | (1,206) |

The allowance in respect of trade receivables is used to record impairment losses unless the Group 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 Group believes no further impairment allowance is necessary in respect of trade receivables which are past due.

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

| | **2019 $'000** | 2018 $'000 |
|---|---|---|
| Balance at start of period | **(1,206)** | (1,489) |
| Impairment recognised | **(69)** | (109) |
| Impairment recognised through business combinations | **(24)** | - |
| Impairment released | **146** | 300 |
| Effect of movements in foreign exchange | **12** | 92 |
| Balance at end of period | **(1,141)** | (1,206) |

## Interest rate risk

The Group earns interest from cash and cash equivalents with high credit rated financial institutions and pays interest on any bank borrowing, with a non-utilisation fee in respect of minimum borrowings of $2.5m. These are subject to interest rate movements.

## Currency risk

The Group 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 Group's revenue is denominated in US dollars (approximately 60% (2018: 61%)), sterling (approximately 15% (2018: 14%)), euro (approximately 16% (2018: 18%)) and Canadian dollars 9% (2018: 7%). The majority of the Group's cost of sales is denominated in US dollars. The majority of the Group's other operating expenses are in sterling.

For monetary assets and liabilities held in currencies other than US dollars, the Group 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 Group has investments in foreign operations whose net assets are exposed to currency translation risk.

# 24. Financial instruments (continued)

| **Financial assets and financial liabilities by currency** | Note | **2019 $'000** | 2018 $'000 |
|---|---|---|---|
| Sterling trade and other receivables | 13 | **1,917** | 2,314 |
| Euro trade and other receivables | 13 | **2,263** | 2,009 |
| Other currency trade and other receivables | 13 | **499** | 695 |
| Sterling cash and cash equivalents | 14 | **1,142** | 305 |
| Euro cash and cash equivalents | 14 | **323** | 76 |
| Other currency cash and cash equivalents | 14 | **732** | 105 |
| Sterling trade and other payables | 15 | **(1,172)** | (1,702) |
| Other currency trade and other payables | 15 | **(140)** | (195) |

All of the Company's financial assets and liabilities are denominated in sterling.

The following significant exchange rates applied during the period.

| | Average rate | | Period end rate | |
|---|---|---|---|---|
| | **12 months ended 31 December 2019** | 12 months ended 31 December 2018 | **31 December 2019** | 31December 2018 |
| US dollar to sterling | **0.7830** | 0.7489 | **0.7624** | 0.7882 |
| US dollar to euro | **0.8932** | 0.8465 | **0.8925** | 0.8755 |

## Liquidity risk

In March 2019, The Royal Bank of Scotland plc formally withdrew the Group's overdraft facility of $4.0m. In August 2019, the Group secured a three year asset based debt facility of up to $10.0m with FGI Worldwide LLC, a US based finance firm. This facility was utilised to fund the initial cash consideration for Agora of $2.8m and to provide additional working capital for the Group.

The net cash balance at 31 December 2019 was $2.2m, represented by gross cash of $4.8m and utilisation under the new debt facility of $2.6m (2017: $2.0m). Cash balances include $0.2m which is held by Royal Bank of Scotland plc to provide security for Group's credit card facility and duty deferment bond. Cash balances are mainly held in US dollars, sterling, 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 Group's approved institutions. Cash on term deposits is included within cash and cash equivalents on the balance sheet.

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

| **As at 31 December 2019 Group** | **Carrying amount $'000** | **Carrying amount $'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 | **9,267** | **9,267** | **9,267** | **-** | **-** | **-** |
| | **9,267** | **9,267** | **9,267** | **-** | **-** | **-** |

# 24. Financial instruments (continued)

## Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued share capital, reserves and retained earnings as disclosed in the Group statement of changes in equity. The Board monitors return on capital, which the Group defines as profit before tax divided by total assets less current liabilities.

## Sensitivity analysis

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

It is estimated that a general increase of five percentage points in the value of sterling against the US dollar would have decreased the Group's profit before tax by approximately $0.4m for the year ended 31 December 2019 (2018: decrease of $0.4m) and a general increase of five percentage points in the value of the US dollar against the euro would have increased the Group's profit before tax by approximately $0.5m (2018: increase of $0.5m).

## Fair values

The carrying value of cash and cash equivalents, trade and other receivables, and trade and other payables is deemed to reflect materially the fair value for both the Group and Company.

| | **2019** | | 2018 | |
|---|---|---|---|---|
| **Group** | **Carrying Amount $'000** | **Fair Value $'000** | Carrying Amount $'000 | Fair Value $'000 |
| Trade and other receivables | **15,932** | **15,932** | 14,072 | 12,866 |
| Cash and cash equivalents | **4,756** | **4,756** | 2,024 | 2,024 |
| Trade and other payables | **(9,267)** | **(9,267)** | (5,642) | (5,642) |
| | **11,421** | **11,421** | 10,454 | 9,248 |

| | **2019** | | 2018 | |
|---|---|---|---|---|
| **Company** | **Carrying Amount $'000** | **Fair Value $'000** | Carrying Amount $'000 | Fair Value $'000 |
| Trade and other receivables | **38** | **38** | 16 | 16 |
| Amounts due from subsidiary undertakings | **923** | **923** | 1,637 | 1,637 |
| Amounts due from other related parties | **-** | **-** | - | - |
| Cash and cash equivalents | **20** | **20** | 22 | 22 |
| Trade and other payables | **(19)** | **(19)** | (39) | (39) |
| | **962** | **962** | 1,636 | 1,636 |

# 25. Operating leases

The total minimum lease payments at 31 December 2018 under non-cancellable operating lease rentals were:

| | 2018 $'000 |
|---|---|
| **Lease rentals due within:** | |
| Less than one year | **599** |
| Between one and five years | **406** |
| More than five years | **-** |
| | **1,005** |

During the year ended 31 December 2018 $640,000 was recognised as an expense in the income statement in respect of operating leases.

# 26. Capital commitments

As at 31 December 2019 the Group had no contracts to purchase property, plant and equipment (2018: $nil).

# 27. Related parties

## Identity of related parties

The Group has a related party relationship with its 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.

During the year the Group paid $9,000 to Sorbus Partners LLP, a company of which Max Thowless-Reeves is an LLP designated member and $52,000 to MVCA2 Limited, a company of which Vikki Macleod is a director.

Directors of the Company and their immediate relatives control 3.48% of the voting shares of the Company.  Information regarding the Directors' shareholdings and share options is contained in the Directors' Report.

In addition to their salaries, the Group also contributes to a post-employment defined contribution plan on behalf of the Executive Directors. The Executive Directors also participate in the Group's share option schemes. Details of the Directors' remuneration are contained in the Directors' report on page 19. In addition share based payment charges of $199,000 (2018: $nil).

During the year employer National Insurance contributions of $91,000 were made in relation to Directors' remuneration.

## Transactions with subsidiaries

During the year the Company was charged a management fee of $259,500 (2018: $216,000) by its subsidiary IndigoVision Limited.

During the year the Company charged interest on cash balances loaned to its subsidiary IndigoVision Limited of $38,000 (2018: $41,000).

At the year end, IndigoVision Limited owed the Company $915,000, repayable on demand (2018: $1,670,000).

During the year the Company received no dividend from its subsidiary, IndigoVision Limited (2018: $nil).

# 28. Business combinations

On 8 November 2019 Indigovision Limited, a subsidiary of Indigovision Group plc, acquired 100% of the ordinary shares of AgoraSys SA for the total consideration transferred of $2,920,000 plus deferred consideration of $276,000. The Company provides a unified "command and control" software platform that integrates different security systems from multiple vendors, including IndigoVision's Control Center video management software. Agora's software provides business processes, procedures and auditing tools to allow users to audit and analyse the entire operation from any location with an internet connection. The acquisition of Agora represents an important building block in meeting the Board of IndigoVision's ambition to turn the Group into one of the leading players in the video security solution spaces.

The goodwill of $1.0m represents the knowledge held by the employees of AgoraSys SA in respect of the development and operations of the Agora software platform. The acquired business contributed revenues of $550,000 and profit after tax of $137,000 to the consolidated entity for the period from 8 November 2019 to 31 December 2019. If the acquisition occurred on 1 January 2019 the full year contributions would have been revenues of $1,570,000 and a loss after tax of $827,000. The Directors have made preliminary assumptions, pending receipt of a full valuation, regarding the fair values relating to the acquisition of AgoraSys SA, which will be finalised in the next 12 month period. This valuation exercise may impact on the final recognised intangible assets, the related deferred tax and therefore the overall goodwill. The deferred consideration of $276,000 becomes payable in IndigoVision shares following the publication of the Audited accounts of AgoraSys SA, provided the revenue for 2019 exceeds €1.3m. Details of the acquisition are as follows:

| | **Fair Value $'000** |
|---|---|
| Plant and equipment | **21** |
| Intangible assets | **2,572** |
| Investments | **23** |
| Inventory | **17** |
| Trade receivables | **364** |
| Other receivables | **140** |
| Prepayments | **4** |
| Cash and cash equivalents | **91** |
| Trade payables | **(272)** |
| Other payables | **(420)** |
| Deferred revenue | **(45)** |
| Deferred tax | **(315)** |
| Total identifiable net assets | **2,180** |
| Goodwill | **1,016** |
| Total consideration | **3,196** |

| | |
|---|---|
| Acquisition-date fair value of the total consideration transferred | **2,920** |
| Deferred consideration | **276** |
| Total consideration | **3,196** |

| | |
|---|---|
| Representing: | |
| Cash paid or payable to vendor | **234** |
| Debt settlement | **2,603** |
| Consideration shares | **83** |
| Deferred consideration | **276** |
| | **3,196** |

# 29. Accounting estimates and judgements

Management discussed with the Audit Committee the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates.

## 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 three to five 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.

# Secretary and advisors

## Secretary and Registered Office

**The Company Secretary**
Charles Darwin House
The Edinburgh Technopole
Edinburgh
EH26 0PY

## Solicitors

**Shepherd & Wedderburn LLP**
1 Exchange Crescent
Conference Square
Edinburgh
EH3 8UL

## Nominated Advisor and Stock Brokers

**Nplus1 Singer Advisory LLP**
One Bartholomew Lane
London
EC2N 2AX

## Auditor

**RSM UK Audit LLP**
Third Floor
Centenary House
69 Wellington Street
Glasgow
G2 6HG

## Bankers

**Royal Bank of Scotland plc**
36 St Andrews Square
Edinburgh
EH2 2YB

## Debt Facility Provider

**FGI Worldwide LLC**
80 Broad Street
22nd Floor
New York
NY10004

## Registrars

**Computershare Investor Services plc**
The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ

# Financial calendar

| | |
|---|---|
| 21 May 2020 | Annual General Meeting |
| 13 August 2020 | Half year results |

# Notice of Annual General Meeting

## INDIGOVISION GROUP PLC

(Incorporated in Scotland, registered number SC208809)

Notice is hereby given that the twentieth annual general meeting of IndigoVision Group plc (the "Company") will be held at Charles Darwin House, The Edinburgh Technopole, Bush Loan, Edinburgh EH26 0PY at 11.00 a.m. (UK time) on 21 May 2020 (the "AGM") for the following purposes:

**To consider and, if thought fit, pass the following as ordinary resolutions:**

1. To receive the Company's accounts for the financial year ended 31 December 2019 and the directors' report and the auditors' report on those accounts.
2. To re-elect George Elliott, who retires at the AGM, as a director of the Company.
3. To re-elect Max Thowless-Reeves, who retires at the AGM, as a director of the Company.
4. To re-appoint RSM UK Audit LLP as auditor of the Company to hold office until the conclusion of the next general meeting of the Company at which accounts are laid before the Company.
5. To authorise the directors to determine the auditor's remuneration.
6. That:

(A) the directors be generally and unconditionally authorised to allot shares in the Company, or to grant rights to subscribe for or to convert any security into shares in the Company, up to a maximum nominal amount of £24,459.80;

(B) in addition to the authority contained in paragraph (A), the directors be authorised to allot shares in the Company, or to grant rights to subscribe for or to convert any security into shares in the Company, comprising equity securities (within the meaning of section 560(1) of the Companies Act 2006 (the "Act")) up to a maximum nominal amount of £24,459.80 in connection with a Pre-Emptive Offer undertaken by means of a rights issue;

(C) the authorities given by this resolution:

(1) are given pursuant to section 551 of the Act and shall be in substitution for all pre-existing authorities under that section; and

(2) unless renewed, revoked or varied in accordance with the Act, shall expire on 30 June 2020 or, if earlier, at the end of the next annual general meeting of the Company save that the Company may before such expiry make an offer or agreement which would or might require the allotment of shares in the Company, or the grant of rights to subscribe for or to convert any security into shares in the Company, after such expiry; and

(D) for the purpose of this Resolution, "Pre-Emptive Offer" means an offer of equity securities to:

(1) holders of ordinary shares (other than the Company) on a fixed record date in proportion to their respective holdings of such shares; and

(2) other persons entitled to participate in such offer by virtue of, and in accordance with, the rights attaching to any other equity securities held by them;

in each case, subject to such exclusions or other arrangements as the directors may deem necessary or appropriate in relation to fractional entitlements, legal, regulatory or practical problems under the laws or the requirements of any regulatory body or stock exchange of any territory or otherwise.

**To consider and, if thought fit, pass the following as special resolutions:**

7. That:

(A) subject to the passing of resolution 6 above (the "Allotment Authority"), the directors be given power pursuant to section 570 of the Companies Act 2006 (the "Act") to allot equity securities (within the meaning of section 560(1) of the Act) for cash pursuant to the Allotment Authority, and to sell treasury shares wholly for cash, as if section 561(1) of the Act did not apply to any such allotment or sale, provided that such power shall be limited to the allotment of equity securities or the sale of treasury shares:

(1) in the case of paragraph (A) of the Allotment Authority:

(a) in connection with a Pre-Emptive Offer (as defined in the Allotment Authority); or

(b) otherwise than in connection with a Pre-Emptive Offer, up to a maximum nominal amount of £7,339.94;

(2) in the case of paragraph (B) of the Allotment Authority, in connection with a Pre-Emptive Offer undertaken by means of a rights issue; and

(B) the power given by this resolution:

(1) shall be in substitution for all pre-existing powers under section 570 of the Act; and

(2) unless renewed in accordance with the Act, shall expire at the same time as the Allotment Authority, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted, or treasury shares to be sold, after such expiry.

8. That the Company be generally and unconditionally authorised for the purposes of section 701 of the Companies Act 2006 (as amended) (the "Act") to make market purchases (within the meaning of section 693(1) of the Act) of ordinary shares of 1p each ("Ordinary Shares") on such terms and in such manner as the directors may decide provided that:

(A) the maximum number of Ordinary Shares that may be purchased by the Company pursuant to this authority is 733,794;

(B) the minimum price that may be paid for any such Ordinary Share shall be the nominal value of that share (exclusive of expenses payable by the Company in connection with the purchase);

(C) the maximum price that may be paid for any Ordinary Share purchased pursuant to this authority is an amount equal to the higher of (a) 105 per cent. of the average of the middle market prices shown in the quotations for the Company's Ordinary Shares in the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which that Ordinary Share is contracted to be purchased and (b) an amount equal to the higher of the last independent trade of an Ordinary Share and the highest current independent bid for an Ordinary Share as derived from all London Stock Exchange trading systems (in each case, exclusive of expenses payable by the Company in connection with the purchase); and

(D) this authority shall expire at the conclusion of the next annual general meeting of the Company or, if earlier, on 30 June 2021, but the Company may make a contract to purchase Ordinary Shares under this authority before its expiry which will or may be completed wholly or partly after the expiry of this authority, and may complete such a purchase as if this authority had not expired.

By Order of The Board

2 April 2020

**Chris Lea**
Company Secretary

*Registered Office:*
Charles Darwin House
The Edinburgh Technopole
Milton Bridge
Edinburgh
EH26 0PY

# Explanatory Notes to the Notice of Annual General Meeting

## General

The notes on the following pages give an explanation of the proposed resolutions. Resolutions 1 to 6 are proposed as ordinary resolutions. This means that for each of those resolutions to be passed, more than half of the votes cast must be in favour of the resolution. Resolutions 7 and 8 are proposed as special resolutions. This means that for each of those resolutions to be passed, at least three-quarters of the votes cast must be in favour of the resolution.

## Resolution 1 – Annual report and accounts

The directors must lay the Company's accounts, the directors' report and the auditor's report before the shareholders in a general meeting. A copy of those accounts and reports are enclosed with this document and are also available on the Company's website at http://www.indigovision.com/investors/

## Resolutions 2 to 3 – Re-election of directors

The Company's articles of association require that one third of directors (who are subject to retirement by rotation) must retire by rotation at each annual general meeting. George Elliott is required to retire this year. Being eligible, George Elliott offers himself for re-election. Max Thowless-Reeves is required to retire this year. Being eligible, Max Thowless-Reeves offers himself for re-election.

## Resolutions 4 and 5 – Re-appointment and remuneration of the auditor

The Company is required to appoint an auditor at each general meeting at which accounts are laid before the shareholders, to hold office until the end of the next such meeting. Resolution 4 proposes the re-appointment of RSM UK Audit LLP as the Company's auditor. Resolution 5 seeks authority for the directors to decide the auditor's remuneration.

## Resolution 6 - Renewal of authority to allot shares

The purpose of this resolution is to confer upon the directors the power to allot shares. Section 551 of the Companies Act 2006 provides that the directors may not allot new shares (other than pursuant to employee share schemes) without shareholder approval. At last year's AGM, the directors were given authority to allot shares up to a maximum amount of £25,045, which represented approximately 33 per cent. of the Company's issued share capital when that authority was conferred upon the directors in 2019.

The resolution proposes that such authority be renewed and granted in substitution for the existing authority to allot securities up to a maximum amount of £24,459.80, representing approximately 33 per cent. of the Company's total issued share capital as at 2 April 2020 (excluding shares then held in treasury).

In addition (and as was the case at the last AGM), the Company is seeking additional authority to allot securities in connection with a fully pre-emptive rights issue up to a maximum amount of £24,459.80, representing approximately 33 per cent of the Company's total issued share capital as at 2 April 2020 (excluding shares then held in treasury). The benefit to the Company of obtaining such authority on an annual basis is that it would allow the Company to implement a rights issue of an amount equal to two-thirds of the issued share capital without the need to call an additional general meeting. This would shorten the implementation timetable of such a rights issue. This is in accordance with best practice guidance issued by the Investment Association.

The directors have no present intention of exercising this authority. The authority will expire at the conclusion of the next annual general meeting or, if earlier, on 30 June 2021, unless previously cancelled or varied by the Company in general meeting. It is the intention of the Directors to renew this authority annually at each annual general meeting.

As at 2 April 2020, the Company held 272,816 shares in treasury.

## Resolution 7 - Disapplication of pre-emption rights

Section 561(1) of the Companies Act 2006 provides that if the directors wish to allot any equity securities, or sell any treasury shares (if it holds any), for cash, the Company must first offer them to existing shareholders in proportion to their existing shareholdings. Section 561 does not apply in connection with allotments made pursuant to an employee share scheme.

The purpose of this resolution is to allow the directors to allot shares or sell any treasury shares for cash as if section 561(1) of the Companies Act 2006 did not apply, in connection with rights issues, open offers and other pre-emptive offers pursuant to the authority to allot shares granted by resolution 6, and otherwise up to a total amount of £7,337.94, representing approximately 10 per cent. of the Company's total issued share capital as at 2 April 2020 (excluding shares then held in treasury).

As regards this latter power to allot equity securities on a non pre-emptive basis, shareholders should note that at the last AGM the directors were given power to allot equity securities on a non pre-emptive basis up to a maximum amount of £7,514 (which represented approximately 10 per cent. of the Company's issued share capital when that power was granted). If passed, this resolution will renew and replace that existing power.

The power conferred by this resolution will expire at the conclusion of the next annual general meeting or, if earlier, on 30 June 2021, unless previously cancelled or varied by the Company in general meeting. It is the intention of the directors to renew this power annually at each annual general meeting.

## Resolution 8 - Market purchase of own shares by the Company

Authority for the Company to make market purchases of its own shares was granted at the 2019 annual general meeting. This resolution seeks to renew that authority.

The authority given by this resolution will be exercised only if the directors are satisfied that any purchase is in the interests of shareholders generally (irrespective of whether or not it results in an immediate increase in earnings per Ordinary Share).

The maximum number of Ordinary Shares which may be purchased under the proposed authority will be 733,794, representing approximately 10 per cent. of the issued share capital of the Company as at 2 April 2020 (excluding shares then held in treasury). The price paid for Ordinary Shares will not be less than the nominal value of the shares nor more than 5 per cent. above the average of the middle market quotations of the Company's Ordinary Shares as derived from the London Stock Exchange Daily Official List for the five business days preceding the day on which the Ordinary Shares are purchased.

As at 2 April 2020, the total number of outstanding options to subscribe for shares was 127,326 (this number does not include any rights to acquire shares which may come into existence through operation of the Company's unitised LTIP), representing approximately 1.74 per cent. of the total issued share capital of the Company (excluding shares then held in treasury) at that date. That percentage will increase to approximately 1.93 per cent. if the authority being sought is exercised in full.

The authority will expire at the end of the next annual general meeting or, if earlier, on 30 June 2021, unless previously cancelled or varied by the Company in general meeting. It is the intention of the directors to renew this authority annually at each annual general meeting.

# Shareholder Notes

## COVID-19: IMPORTANT NOTICE

IndigoVision is closely monitoring all developments relating to the current COVID-19 pandemic, including the measures mandated or recommended by the UK and Scottish governments regarding public health, public gatherings and travel. IndigoVision considers the health, safety and security of shareholders and IndigoVision employees of paramount importance, and will observe all measures related to COVID-19 mandated or recommended by the UK or Scottish governments. As at 2 April 2020 there is a legal prohibition in Scotland on public gatherings of more than two people, subject to two limited exceptions:

- where the gathering is of a group of people who live together; and
- where the gathering is essential for work purposes, or to fulfil legal obligations.

Based on the March 2020 guidance issued by The Chartered Governance Institute and reviewed by the UK Department for Business, Energy and Industrial Strategy, the Board understands that attendance at the annual general meeting would not be considered "essential for work purposes" or required to fulfil legal obligations. As a consequence, the Board has taken the decision that, unless the legal restrictions on public gatherings in Scotland are lifted, the annual general meeting must take place as a closed meeting. This means that two members of the Board will be present in person to constitute a quorum at the annual general meeting, but otherwise shareholders will not be admitted to the annual general meeting in person. Any shareholder attending the venue will be refused entry to the annual general meeting. Although this outcome is highly undesirable, the Board believes that, in the circumstances, there is no alternative to ensure the health, safety and security of attendees and to allow the business of the annual general meeting to be transacted.

Without the ability to attend the annual general meeting, it is essential that shareholders vote by proxy on resolutions set out in the notice of the meeting. Accordingly, the Board urges shareholders in the strongest possible terms to appoint the chairman of the annual general meeting as their proxy (either electronically or by post through the printed Forms of Proxy) with their voting instructions. The failure of a shareholder to do so, in the absence of any intervening change to the legal restrictions on public gatherings, will result that shareholder being unable to vote on the resolutions to be proposed at the annual general meeting.

Shareholders should also be aware that, in relation to the printed Forms of Proxy, Royal Mail has indicated that it is likely that some areas of the country will experience a reduction in service levels due to absences at their local mail centre or delivery office due to the COVID-19 pandemic. Accordingly, in order to ensure that your votes on the resolutions to be proposed at the annual general meeting are registered and counted, the Board recommends that:

- if possible, voting by proxy should be undertaken online or, for eligible shareholders, through CREST in the manner described below under the headings "Online appointment of proxies" and "Electronic appointment of proxies through CREST"; and
- if voting by proxy is undertaken through submission of the printed proxy forms, these proxy forms should be completed and sent to the Company's registrar, Computershare Investor Services plc, as soon as possible.

The Company will continue to monitor the advice issued by the UK Government and will make further arrangements and contingencies as necessary. The Company will provide any updates on the arrangements for the annual general meeting on its website at www.indigovision.com/investors.

## Appointment of proxy

Any shareholder who is entitled to attend and vote at the AGM is entitled to appoint one or more proxies (who need not be shareholders) to attend the AGM and speak and vote instead of the shareholder. If more than one proxy is appointed each proxy must be appointed to exercise rights attached to different shares. Appointment of a proxy will not preclude a shareholder from attending and voting in person at the AGM.

## Sending proxy forms by post

Notwithstanding the Board's recommendation to vote by proxy online or through CREST, if you intend to appoint your proxy by post, in order for a proxy form to be valid, it must be completed and signed and returned to the Company's registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY so they receive it no later than 11.00 a.m. (UK time) on 19 May 2020.

A shareholder wishing to appoint multiple proxies should contact the Shareholder Helpline on 0370 707 1088 to obtain additional proxy forms. Alternatively you may wish to photocopy your proxy form. It will be necessary for the shareholder to indicate on each separate proxy form the number of shares in relation to which each proxy is authorised to act.

## Online appointment of proxies

As an alternative to completing and returning the printed proxy forms, the Board recommends that you register the appointment of a proxy electronically by logging on to the following website: www.investorcentre.co.uk/eproxy. To use this service, you will need your Control Number, Shareholder Reference Number and PIN printed on the accompanying proxy form. Full details of the procedure are given on the website.

## Electronic appointment of proxies through CREST

Shareholders may also appoint proxies online through CREST by using the procedures described in the CREST Manual (available via www.euroclear.com/CREST). CREST personal members or other CREST sponsored members and those CREST members who have appointed a voting service provider should refer to their CREST sponsor or voting service provider, who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST proxy instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. All messages relating to the appointment of a proxy or an instruction to a previously appointed proxy must be transmitted so as to be received by the issuer's agent (ID 3RA50) by 11.00 a.m. (UK time) on 19 May 2020. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. Any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST proxy instructions. It is therefore the responsibility of the CREST member concerned to take (or procure the taking of) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat a CREST Proxy Instruction as invalid in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

## Corporate representatives

Any corporation which is a shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a shareholder provided that they do not do so in relation to the same shares.

## Record date

To be entitled to attend and vote at the meeting (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the register of members of the Company at 10.00 p.m. (UK time) on 19 May 2020 (or, in the event of any adjournment, on the date which is two days before the time of the adjourned meeting). Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

## Documents available for inspection

Copies of the following documents may be inspected at the registered office of the Company during normal business hours Monday to Friday (public holidays excepted) up to and including the day of the AGM, and at the venue for the AGM from half an hour before the time fixed for the AGM until the end of the AGM:

- the Company's annual report and accounts for the year ended 31 December 2019; and
- copies of the executive directors' service contracts and non-executive directors' letters of appointment.

## Shareholder helpline

Shareholders who have general queries about the AGM or need additional proxy forms should call our Shareholder Helpline on 0370 707 1088 (no other methods of communication will be accepted).

## Statement of capital and voting rights

As at 2 April 2020, the Company's issued share capital consisted of 7,610,756 Ordinary Shares of which 272,816 are held by the Company as treasury shares. Therefore, total voting rights in the Company as at 2 April 2020 are 7,337,940.

## Other matters

Shareholders may not use any electronic address provided in either this notice of AGM or any related documents (including the chairman's letter and proxy form), to communicate with the Company for any purposes other than those expressly stated.


IndigoVision
A proud history,
an even brighter future

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