5 March 2020

IndigoVision Group plc

("IndigoVision", the "Company" or the "Group")

Final Results for the year ended 31 December 2019

The Board of IndigoVision is pleased to report the financial results 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

Max Thowless-Reeves, Chairman

"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."

Pedro Simoes, Chief Executive

"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."

Enquiries to:

IndigoVision Group plc	Pedro Simoes (CEO) Chris Lea (CFO)	+44 (0) 131 475 7200
N+1 Singer (Nominated Adviser and Broker)	Lauren Kettle	+44 (0) 20 7496 3000

Notes to Editors

About IndigoVision

IndigoVision is a leader in the design and supply of high performance, highly-intelligent video security systems for security installations of differing sizes and complexity. From video capture and transmission to analysis and storage, IndigoVision's networked video security systems provide the best quality and most secure video evidence, using market leading compression technology to minimise bandwidth and reduce storage costs.

IndigoVision's technology is ideally suited for use in mission critical facilities such as government, oil and gas, transport, cities, industry, retail, education, police, prisons and casinos to improve public safety, protect assets, develop organisations' operational efficiency and support law enforcement.

IndigoVision has sales and support teams in 24 countries with its headquarters in Edinburgh and regional offices in New Jersey, Toronto, Dubai and Sao Paulo. IndigoVision partners with a network of some 1,200 trained and authorised IndigoVision resellers to provide local system design, installation and servicing to IndigoVision's system users.

Chairman's statement

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

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

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 out 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

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.

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%)

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

Chris Lea

Chief Financial Officer

Pedro Simoes

Chief Executive Officer

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 profit/(loss) before exceptional costs	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

Statement of changes in equity

For the year ended 31 December 2019

	Share capital	Share premium	Other reserve	Treasury / own share reserve	Translation reserve	Retained earnings	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'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**

Consolidated statement of cash flows

For the year ended 31 December 2019

	2019 $'000	2018 $'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

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 information set out in this announcement is extracted from the Group's consolidated financial statements for the year ended 31 December 2019, which were approved by the Board of Directors on 4 March 2020.

The financial information does not constitute statutory accounts within the meaning of sections 434(3) and 435(3) of the Companies Act 2006 or contain sufficient information to comply with the disclosure requirements of International Financial Reporting Standards (IFRS) and related interpretations as adopted for use in the European Union.

(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.

(b) New Accounting Standards and Interpretations adopted continued

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'. 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 the 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 the 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.

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.

(f) Property, plant and equipment continued

(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.

(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.

(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 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

Regional Sales	**2019 $'000**	2018 $'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 $'000	2018 $'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 profit/(loss)

	2019 $'000	2018 $'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 the 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 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.

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 diluted 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	Plant and equipment	Fixtures and fittings	Computer hardware	Demo equipment	**Total**
	$'000	$'000	$'000	$'000	$'000	**$'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

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

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. (in Liquidation)	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

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

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

	2019 $'000	2018 $'000
Bank balances and cash and cash equivalents in the statement of cash flows	**4,756**	2,024

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

	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
Extended warranty income	**45**	-
Accruals	**1,758**	1,357
Deferred income	**2,324**	2,176
	13,394	9,188

16. Borrowings

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

	2019 $'000	2018 $'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 $'000	2018 $'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.

Effect of leases on financial performance:

	2019 $'000	2018 $'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 $'000	2018 $'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

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	Incremental borrowing rate at 1 January 2019	Discounted lease commitment at 1 January 2019	Lease liability recognised at 1 January 2019	
	$'000	%	$'000	$'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 $'000	2018 $'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 $'000**	2018 $'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**

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 2008 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

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**	-	-

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:

	Note	**2019 $'000**	2018 $'000
Trade and other receivables	13	**15,932**	14,072
Cash and cash equivalents	14	**4,756**	2,024
		20,688	16,096

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 $'000	2018 $'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

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)

24. Financial instruments (continued)

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.

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**	31 December 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	Contractual cash flow $'000	6 months or less $'000	6 – 12 months $'000	1 – 2 years $'000	2 – 5 years $'000
Non-derivative financial liabilities						
Trade and other payables	**9,267**	**9,267**	**9,267**	**-**	**-**	**-**
	9,267	**9,267**	**9,267**	**-**	**-**	**-**

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 Carrying Amount $'000	**2019 Fair Value $'000**	2018 Carrying Amount $'000	2018 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

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. 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 net

28. Business combinations (continued)

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.