Stilo International Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS

for the year ended 31 December 2019

Registered Number: 03893693

CONTENTS

	Page
Chairman’s Statement	2
Strategic Report	3
Directors’ Report	8
Advisers and Other Company Information	11
Independent Auditor’s Report	12
Group Income Statement	15
Group Statement of Comprehensive Income	16
Group and Parent Company Statement of Financial Position	17
Group Statement of Changes in Equity	18
Parent Company Statement of Changes in Equity	20
Group Statement of Cash Flows	21
Parent Company Statement of Cash Flows	22
Notes to the Financial Statements	23

CHAIRMAN'S STATEMENT

As many of you may already be aware, there have been significant management and organisational changes at Stilo over recent months.

Following the de-listing of Stilo from the AIM market, it has been the Group's intention to centralise all business activities in Ottawa. Consistent with this strategy, I'm pleased to report that Bryan Tipper, formerly VP Sales & Marketing, took over from myself as executive director and CEO of Stilo, as of 1 April 2020. In turn, I have taken on the role Chairman and non-executive director, with David Ashman continuing to serve on the Board as a non-executive director.

I would like to take this opportunity of publicly thanking David, on behalf of all shareholders and employees, for his exemplary business stewardship in the role of Chairman over many years, and for the support that he has afforded to me personally during that time. I look forward to continuing to work alongside David in the years ahead.

2019 was a disappointing year for the Group, with reduced sales and increased costs resulting in an overall loss of £1,1420,000 reducing to a loss of £179,000 when one-off costs and software impairment charges are taken into account.

As indicated in our 2019 interim results, we needed to take measures to reduce operating costs wherever possible. Actions that we took included the successful buy-back of 15,766,000 Stilo shares and the associated delisting of the company from the AIM market, re-registering as a private limited company in October 2019. This is expected to save costs of approximately £120,000 per year, starting in 2020. We made additional ongoing savings by reducing staff numbers, moving all sales and marketing activities from the UK to Ottawa and reducing working hours for some employees. In the course of implementing these measures, we incurred one-off costs of £97,000.

Unfortunately we have not been able to make the sales breakthroughs that we had envisaged for AuthorBridge, Albeit an excellent DITA authoring tool, the market opportunity is proving to be very limited, as the leading content component management system vendors have typically already integrated their own or other third-party authoring tools into their solutions. How best to monetise AuthorBridge in the future is currently a key consideration for the Group, and given this uncertainty the Board feels it appropriate to significantly impair the asset value that was previously attributed to it in our accounts. This has the effect of incurring an additional accounting loss of £866,000 for the period.

Given our trading results in 2019, we will not be paying a final dividend for the period. With our cost base much reduced, modest sales growth planned for the year ahead, and a healthy level of cash reserves, we had anticipated returning to profitability and paying dividends again in 2020.

However, the future is now very uncertain as we look to manage our way through the Coronavirus pandemic and its impact upon the global economy. At the time of writing this report all employees are working from home and we are confident that we can continue operating in this way indefinitely until the pandemic subsides. We will continue to manage our cash position very carefully during this difficult time.

Leslie Burnham
Chairman
29th April 2020

BUSINESS OVERVIEW

Stilo develops software tools and cloud services that help organisations create and process structured content in XML format, so that it can be more easily stored, managed, re-used, translated and published to multiple print and digital channels.

Over recent years, many organisations have adopted industry specific XML standards e.g. Publishing (DocBook), Aerospace & Defence (S1000D), Finance (XBRL), Life Sciences (SPL), Scientific and Scholarly Publishing (JATS), Software and High Tech (DITA). Stilo made the decision some years ago to focus new product development and marketing efforts on the emerging DITA standard. This standard originated within IBM to support the publishing of its technical documentation and has been increasingly adopted by other software and high tech companies. DITA is now beginning to make inroads into additional market sectors including Manufacturing, Life Sciences and Publishing.

In the medium term, given limited resources, we will look to diversify beyond the DITA market through potential partnering opportunities and the incremental development of AuthorBridge, Migrate and OptimizeR.

We continue to build upon our strong reputation for excellent products and supporting technical expertise, resulting from many years of experience in the structured content marketplace. With offices in the UK and Canada, we support clients throughout North America, Europe and Japan.

Products and customers

OmniMark

Stilo's core technology is OmniMark, a long-established development platform used to build high-performance content processing applications integral to enterprise publishing solutions.

Users include Pratt and Whitney, Airbus Defence & Space, Clarivate Analytics and Wolters Kluwer.

Sales for the year included orders from the European Parliament, Qantas and Embraer.

Migrate

Migrate is the world's first cloud XML content conversion service and utilises OmniMark technology. Through advanced levels of automation, it enables organisations to improve turnaround times, reduce operating costs and take direct control of their work schedules, providing an attractive alternative to traditional outsourced conversion services.

Migrate sales for the period include orders from Mastercard, Arris/Commscope, Applied Materials, Visa, Conga, Informatica, Clark Equipment, Infinera, AppNexus and Motorola.

Using Migrate, we have helped our customers convert over one million pages of content to the DITA standard.

OptimizeR

Complementing Migrate, OptimizeR is a tool that we are developing to help automate the de-duplication of DITA content, improve content consistency and help maximise the opportunity for content re-use. This can be particularly important in highly regulated or hazardous environments.

It is very much at the early development stage, with significant development effort anticipated during 2020.

BUSINESS OVERVIEW *(continued)*

AuthorBridge

AuthorBridge is a web-based XML authoring tool, designed for occasional content contributors who have no knowledge of XML or its complexities. It is currently targeted at large enterprises, which are looking to extend the use of DITA across different business units and potentially support hundreds of users.

The development of AuthorBridge has been a major effort over several years, culminating in the release of AuthorBridge v3 in early 2019. Customers in 2019 included IBM, Intel, Kaplan Professional and Coriolis.

Sales analysis by geographic region

Our customers typically comprise large organisations and are spread globally. Geographic sales revenues were derived as follows:

Region	2019	2018
UK	2%	5%
Rest of Europe	15%	12%
North America	57%	62%
South America	15%	4%
Asia	11%	17%

North America continues to represent a significant proportion of sales revenues as adoption of the DITA standard has been primarily led by corporations with their headquarters based in the USA. It is anticipated that adoption of the DITA standard will spread internationally over the coming years.

Technical expertise

Our technical team includes leading experts in the development of XML content processing technologies and along with our support services, are very highly regarded by customers.

There is a high level of synergy between our products which results in very efficient and integrated development and support activities.

Operations

Stilo operates from offices located in Swindon, UK and Ottawa, Canada.

As at 31 December 2019, there were 16 permanent employees in the Group, complemented by the use of contractors. It is not anticipated that we will be growing headcount significantly, as we look to contain our costs and scale the business through technology sales.

FINANCIAL RESULTS AND KEY PERFORMANCE INDICATORS

The results for the year ended 31 December 2019 have been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards as adopted by the European Union.

In 2019, the results for Stilo show a decrease in EBITDA to a loss of £186,000 (2018: £148,000 profit). Post tax losses were £1,151,000 (2018: £177,000 profits).

Total sales revenues for the year decreased to £1,230,000 (2018: £1,487,000).

The Group continued to benefit from recurring revenue from software maintenance contracts of £726,000 (2018: £816,000) which represents 59% (2018: 55%) of annual sales revenue.

The Group continues to maintain careful control over operating costs. However operating expenses, excluding capitalised development costs, increased to £1,501,000 (2018: £1,358,000). The increase included one-off costs associated with the de-listing from AIM of £47,000 and redundancy/recruitment costs of £50,000.

Investment in research and development continued in 2019, with total expenditure for the year of £520,000 (2018: £583,000). As a result of this investment, Stilo continues to benefit from research and development tax credits. Of this expenditure, £110,000 (2018: £213,000) relating to the development of AuthorBridge has been capitalised, and the total accumulated capitalised costs have begun to be amortised over a 15 year period, commencing in July 2019. The amortisation charge for AuthorBridge totalled £33,000 for the six month period. Based on actual sales results following the release of AuthorBridge v3, post year-end sales and anticipated future demand, management undertook an impairment review in respect of the AuthorBridge capitalised development costs. The result of that impairment review indicated an impairment was necessary and an impairment charge totalling £866,000 was recognised during the year.

In October 2019 we de-listed from the AIM market and undertook the buy-back of 15,766,000 shares at 1 pence per share, resulting in a total of 98,154,401 ordinary shares now being held by over 400 registered shareholders. Stilo International Ltd re-registered as a private limited company in October 2019. The delisting is expected to save costs in the order of £120,000 per annum.

There was a cash balance of £811,000 as at 31 December 2019 (31 December 2018: £1,271,000), with the reduction being largely due to the cost of the share buy-back (£158,000), exceptional costs of delisting and company re-organisation (£97,000), continued investment in development projects, and dividend payments to shareholders. Stilo remains entirely un-geared. This Statement of Financial Position stability provides a sound financial base for the Group and will support continued investment in product development, sales and marketing. Costs will continue to be carefully managed in order to maintain cash reserves at a satisfactory level.

Total trade receivables were £192,000 (2018: £224,000), equating to 57 days (2018: 55 days). Overdue amounts are closely monitored.

The directors monitor the performance of the Group based on the above key performance indicators.

DIVIDENDS

During the year there was no interim dividend declared (2018: 0.06 pence per ordinary share) and there is no final dividend proposed for 2019 (2018: £0.06 pence per share).

However, it is the Board's policy is to maintain payment of a steady and progressive dividend, well covered and paid subject to maintaining sufficient funds within the business with regard to prudent forecasts of future capital requirements, without the need for debt funding.

OUTLOOK

Following the year end, the company’s activities have been impacted by the global Covid-19 pandemic, with new business generation coming to an abrupt halt in March, whilst recurring maintenance revenues have continued to hold up. We are currently assuming that this situation will continue for the coming months, with new business beginning to pick-up again from September onwards, as the world economy hopefully starts to recover. It is our opinion that we have sufficient cash reserves to see us through the next twelve months of trading and we remain focussed on maintaining our cash position during these uncertain times, while preserving the jobs of our employees.

To this end we are applying to participate in the Canada Emergency Wage Subsidy (CEWS) initiative, which currently provides financial support for a period of up to three months to Canadian companies affected by the pandemic. Additionally, in January 2020 we were awarded a development grant, value CA$148,000, by the National Research Council of Canada under its Industrial Research Assistance Programme (IRAP), designed to accelerate the research and development projects of Canadian innovators. We also continue to be in receipt of Research and Development credits from the Canadian Government, and the combination of all of these initiatives helps to provide a measure of financial resilience as we continue to move forward with new product developments.

At the time of writing this report all employees are working from home and we are confident that we can continue operating in this way indefinitely until the pandemic subsides.

PRINCIPAL RISKS AND UNCERTAINTIES

Financial risk management policies and objectives and exposure are considered further in note 21.

The Board is responsible for developing a comprehensive risk framework and a system of internal controls. The Board has identified the following as the principal risks and uncertainties the Group faces.

PRINCIPAL ACTIVITY	PRINCIPAL RISK	IMPACT	CONTROL(S)
External Risk	Market Conditions	The Group may fail to retain existing and attract new customers, consequently sales revenue may decrease	Close working relations are maintained with both the Group's partners and customers in order to monitor market and technology changes. The Directors continually monitor other markets and products that are complementary to the Group's business model and dynamics which can be added to the Group's sales portfolio. Economic and interest rate changes are also monitored in relation to the impact they will have on the market conditions for the Group.
External Risk	Product risk	Technological obsolescence	The Group continues to innovate with releases of new products and the frequent updating of existing products. We endeavor to work closely with customers in our product development efforts, to help ensure their relevance and acceptability in our target markets.
Financial Risk	Receivables and credit risk	Adverse consequences could include reduced revenue	The principal credit risk arises from trade receivables. Credit risks are reviewed for customers based upon payment history and references. Credit risks are reviewed regularly in conjunction with debt ageing and collection history. The directors regard the scale and spread of customers as being a safeguard against the potential adverse effect of default.
Financial Risk	Currency exposure	Negative impacts of exchange rate fluctuations	The Group deals in several currencies and maintains bank accounts in each of those currencies. The Group monitors foreign currency rates and currency exposure regularly. Foreign currency hedging instruments are also considered.
Financial Risk	Adequate financial and business controls	Error or fraud, leading to a loss in reputation, business partners and customers.	The Company exercises financial and business control through qualified and experienced financial personnel, budgeting and cash flow forecasting, amongst other measures.

PRINCIPAL RISKS AND UNCERTAINTIES *(continued)*

Exit from the European Union

The UK referendum vote in June 2016 to leave the European Union has added to the risks and uncertainties faced by the company. However, it is considered that the direct impact of these uncertainties on the company is limited in the short-term. Many details of the implementation process continue to remain unclear. Extricating from the European Union treaties is a task of immense complexity, but the company is well-positioned to manage the possible market impacts. There are also potential tax consequences of the withdrawal and these will continue to be reassessed (at each reporting date) to ensure the tax provisions reflect the most likely outcome following the withdrawal.

Duty to promote the success of the company

The opportunities and risks to the future success of the business have been considered and addressed by the Board, along with the sustainability of the company's business model and how its governance contributes to the delivery of the business strategy. The decision of the directors to de-list the company's shares from the AIM marketplace, convert the company to private status, and rationalise the operations to a core North American based business was, in the opinion of the directors, the best course of action to secure the long-term success of the company, its employees, members and other stakeholders. The effect of these transactions will be to reduce the ongoing cost base of the business and allow the Board to focus expenditure on those areas which will directly contribute to the ongoing return to stakeholders.

Please see the Principal Risks and Uncertainties section of the Strategic Report for further detail on how the Board consider the various risks to the ongoing success of the company.

Signed on behalf of the Board

Leslie Burnham
Director
29th April 2020

The directors present their report together with the audited accounts of the Group and the Company for the year ended 31 December 2019.

On 8 October 2019 Stilo International plc delisted and cancelled the admission of the ordinary shares to be traded on the AIM market. Subsequently, the company passed a special resolution to rename itself as Stilo International Limited. Stilo International Limited is now a private company limited by shares, incorporated and domiciled in England.

Results and dividends
The Group loss for the year after taxation was £1,151,000 (2018: £177,000 profit). There were no interim or final dividends declared (2018: interim dividend £0.06 pence per Ordinary share, 2018: final dividend £0.06 pence per Ordinary share) The directors consider that the going concern basis of accounting is still appropriate, supported by the cash flow projections of the Group and the financial statements are prepared on the going concern basis. Further information is given in note 1 on page 23.

Future developments
The business outlook is considered in the Strategic Report on pages 3 to 7.

Directors
The directors who served during the period and up to the date of approval of this report were as follows:

David Ashman
Leslie Burnham
Liam O'Donoghue (resigned 1st January 2020)
Bryan Tipper (appointed 1st April 2020)

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

Company law requires the directors to prepare Group and Company financial statements for each financial year. The directors have elected under company law to prepare the Group financial statements in accordance with IFRS as adopted by the EU.

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

Directors' responsibilities (*continued*)
In preparing each of the Group and Company financial statements, the directors are required to:

a. select suitable accounting policies and then apply them consistently;
b. make judgements and accounting estimates that are reasonable and prudent;
c. state whether they have been prepared in accordance with IFRSs adopted by the EU;
d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Stilo International Limited website.

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

Research and Development
Research and development expenditure for the year, excluding costs capitalised which amounted to £110,000 (2018: £213,000), was £410,000 (2018: £370,000). Further information relating to research and development is contained in the Strategic Report on pages 3 to 7.

Financial instruments
The Group's exposure to risks on financial instruments is described in note 21.

Strategic report
The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of principal activities and risk management policies and objectives.

Qualifying third party indemnity provisions
The Group has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

Employees
The Group is an equal opportunity employer and makes every effort to ensure disabled people are not discriminated against on the grounds of their disabilities. In the event of staff becoming disabled, every effort is made to ensure that employment continues, and that appropriate training is arranged. Employees are kept informed regarding the Group's affairs and are consulted on a regular basis through quarterly staff meetings.

Post balance sheet event
Following the year end, the Company's activities have been impacted by the global Covid-19 pandemic, with orders for new business being put on hold by the majority of customers. Whilst the precise impact of the pandemic is uncertain the Directors' have re-forecast profitability and cashflows to 31 December 2020 and reconsidered the expected position to 30 June 2021 to take into account expected outcomes. Details of actions being undertaken to mitigate the impact of the pandemic are provided in the Going Concern accounting policy and the Strategic Report.

Statement as to disclosure of information to the auditor
The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditor is unaware. Each of the directors have confirmed that they have taken all of the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor
RSM UK Audit LLP has indicated its willingness to continue in office.

Approved by the directors and signed on behalf of the Board

Leslie Burnham
Director
29th April 2020

REGISTERED OFFICE
Regus House
Windmill Hill Business Park
Whitehill Way, Swindon, Wiltshire
SN5 6QR

REGISTERED NUMBER
03893693

PRINCIPAL BANKERS
National Westminster Bank plc
207 Richmond Road
Cardiff
CF24 3UX

COMPANY SECRETARY
Liam O'Donoghue

INDEPENDENT AUDITOR
RSM UK Audit LLP
Central Square
5th Floor
29 Wellington Street
Leeds
LS1 4DL

Opinion
We have audited the financial statements of Stilo International Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019 which comprise of the group income statement, the group statement of comprehensive income, the group and parent company statement of financial position, the group and parent company statement of changes in equity, the group and parent company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:
- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:
- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, set out on pages 8 and 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

RSM UK Audit LLP

Andrew Allchin FCA (Senior Statutory Auditor)
For and on behalf of RSM UK AUDIT LLP, Statutory Auditor
Chartered Accountants
Central Square
5th Floor
29 Wellington Street
Leeds
LS1 4DL

Date: 29th April 2020

GROUP INCOME STATEMENT
for the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Continuing operations			
Revenue	2	1,230	1,487
Cost of sales	4	(9)	(16)
Gross profit		1,221	1,471
Administrative expenses	4	(1,492)	(1,342)
Impairment of development costs	9	(866)	-
Operating (loss)/profit		(1,137)	129
Finance income	5	11	10
Finance expense	6	(16)	-
(Loss)/profit before tax		(1,142)	139
Income tax	7	(9)	38
(Loss)/profit for the year attributable to the equity shareholders of the parent company		(1,151)	177
Dividends paid per share	26	0.06p	0.11p

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2019

	2019 £'000	2018 £'000
(Loss)/profit for the year	(1,151)	177
Other comprehensive income/(loss)		
Items that may subsequently be reclassified to profit and loss		
Foreign currency translation differences	11	(39)
Other comprehensive income/(loss) for the year, net of tax	11	(39)
Total comprehensive (loss)/income for the year	(1,140)	138

All comprehensive income is attributable to equity shareholders of the parent company.

Stilo International Limited (formerly Stilo International plc)

GROUP AND PARENT COMPANY STATEMENT OF FINANCIAL POSITION
as at 31 December 2019

	Notes	Group		Company	
		2019	2018	2019	2018
		£'000	£'000	£'000	£'000
Non-current assets					
Goodwill	8	1,633	1,633	-	-
Other intangible assets	9	100	882	-	-
Investments	26	-	-	1,115	1,198
Property, plant and equipment	10	314	14	-	-
Deferred tax asset	11	-	50	-	-
		2,047	2,579	1,115	1,198
Current assets					
Trade and other receivables	12	232	259	-	-
Income tax asset		55	56	-	-
Cash and cash equivalents	13	811	1,271	-	-
		1,098	1,586	-	-
Total assets		3,145	4,165	1,115	1,198
Current liabilities					
Trade and other payables	14	508	436	-	-
Non-current liabilities					
Other payables	15	277	4	-	-
Total liabilities		785	440	-	-
Equity attributable to shareholders of the parent company					
Called up share capital	17	981	1,139	981	1,139
Share premium account		29	29	29	29
Merger reserve		658	658	-	-
Capital redemption reserve		158	-	158	-
Retained earnings		534	1,899	(53)	30
Total equity		2,360	3,725	1,115	1,198
Total equity and liabilities		3,145	4,165	1,115	1,198

The profit for the financial year dealt with in the accounts of Stilo International Limited was £142,000 (2018: £47,000). As provided for by section 408 of the Companies Act 2006, no income statement is presented in respect of the parent company.

The financial statements on pages 15 to 50 were approved by the Board of Directors and authorised for issue on 29th April 2020 and signed on their behalf by:

Leslie Burnham
Director

GROUP STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2019

	Called up share capital £'000	Share premium account £'000	Merger reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2018	1,139	29	658	-	1,912	3,738
Impact of adopting IFRS 15	-	-	-	-	(28)	(28)
Balance at 1 January 2018 (IFRS 15)	1,139	29	658	-	1,884	3,710
Comprehensive income						
Profit for the financial year	-	-	-	-	177	177
Other comprehensive loss	-	-	-	-	(39)	(39)
Total comprehensive income	-	-	-	-	138	138
Transactions with owners						
Share based payment transactions	-	-	-	-	2	2
Dividends paid	-	-	-	-	(125)	(125)
Total transactions with owners	-	-	-	-	(123)	(123)
Balance at 1 January 2019	1,139	29	658	-	1,899	3,725
Comprehensive income						
Loss for the financial year	-	-	-	-	(1,151)	(1,151)
Other comprehensive income	-	-	-	-	11	11
Total comprehensive loss	-	-	-	-	(1,140)	(1,140)
Transactions with owners						
Share based payment transactions	-	-	-	-	1	1
Dividends paid	-	-	-	-	(68)	(68)
Share buy-back and cancellation	(158)	-	-	158	(158)	(158)
Total transactions with owners	(158)	-	-	158	(225)	(225)
Balance at 31 December 2019	981	29	658	158	534	2,360

Share premium account
Represents amounts subscribed for share capital in excess of nominal value, net of directly attributable share issue costs.

Merger reserve
The merger reserve has arisen on the legal acquisition of subsidiary companies.

Capital redemption reserve
Capital redemption reserve represents the non-distributable reserves transferred following the purchase of the company's own shares.

Retained earnings
Retained earnings represent the accumulated retained profits and losses less payment of dividends.

Stilo International Limited (formerly Stilo International plc)

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2019

	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2018	1,139	29	-	106	1,274
Comprehensive income					
Profit for the financial year	-	-	-	47	47
Total comprehensive income	-	-	-	47	47
Transactions with owners					
Share based payment transactions	-	-	-	2	2
Dividends paid	-	-	-	(125)	(125)
Total transactions with owners	-	-	-	(123)	(123)
Balance at 1 January 2019	1,139	29	-	30	1,198
Comprehensive income					
Profit for the financial year	-	-	-	142	142
Total comprehensive income	-	-	-	142	142
Transactions with owners					
Share based payment transactions	-	-	-	1	1
Dividends paid	-	-	-	(68)	(68)
Share buy-back and cancellation	(158)	-	158	(158)	(158)
Total transactions with owners	(158)	-	158	(225)	(225)
Balance at 31 December 2019	981	29	158	(53)	1,115

Share premium account
Represents amounts subscribed for share capital in excess of nominal value, net of directly attributable share issue costs.

Capital redemption reserve
Capital redemption reserve represents the non-distributable reserves transferred following the purchase of the company's own shares.

Retained earnings
Retained earnings represent the accumulated retained profits and losses less payment of dividends.

	Notes	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Cash flow from operating activities					
(Loss)/profit before taxation		(1,142)		139	
Adjustment for depreciation and amortisation		85		11	
Adjustment for impairment and write off of goodwill		-		27	
Adjustment for impairment of development costs		866		-	
Adjustment for investment income		(11)		(10)	
Adjustment for interest expense		16		-	
Adjustment for share-based payments		1		2	
Operating cash flows before movements in working capital		(185)		169	
Decrease/(increase) in trade and other receivables		24		(86)	
Increase/(decrease) in trade and other payables		31		(112)	
Cash generated from operations			(130)		(29)
Tax paid			(15)		(16)
Tax credit received			57		53
Net cash (used in)/generated from operating activities			(88)		8
Cash flows from investing activities					
Finance income			11		11
Development costs			(110)		(213)
Purchase of equipment			(3)		(13)
Proceeds on disposal of equipment			1		-
Net cash used in investing activities			(101)		(215)
Cash flows from financing activities					
Dividends paid			(68)		(125)
Repurchase of shares			(158)		-
Principal payment of lease liabilities			(53)		-
Net cash used in financing activities			(279)		(125)
Net (decrease) in cash and cash equivalents			(468)		(332)
Cash and cash equivalents at beginning of year			1,271		1,621
Exchange gains/(losses) on cash and cash equivalents			8		(18)
Cash and cash equivalents at end of year	13		811		1,271

Cash and cash equivalent consist of cash on hand and balances with a range of financial institutions.

PARENT COMPANY STATEMENT OF CASH FLOWS
for the year ended 31 December 2019

	2019		2018	
	£'000	£'000	£'000	£'000
Net cash inflow from operating activities				
Profit before taxation	142		47	
Operating cash flows before movements in working capital	142		47	
Cash generated from operations		142		47
Net cash generated from operating activities		142		47
Cash flows in investing activities				
Repayment of loan from subsidiary		84		78
Net cash generated from investing activities		84		78
Cash flows from financing activities				
Dividends paid		(68)		(125)
Repurchase of shares		(158)		-
Net cash used in financing activities		(226)		(125)
Increase in cash and cash equivalents		-		-
Cash and cash equivalents at beginning of year		-		-
Cash and cash equivalents at end of year		-		-

Cash and cash equivalents consist of cash on hand and balances with banks.

1 ACCOUNTING POLICIES

(a) Basis of preparation

Stilo International Limited, formerly Stilo International plc, is a private company limited by shares, incorporated and domiciled in England. The registered office of the Company is Regus House, Windmill Hill Business Park, Whitehill Way, Swindon SN5 6QR, and the main activities are set out in the Strategic Report on pages 3 to 7.

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") and International Financial Reporting Committee ("IFRC") interpretations that are applicable to the consolidated financial statements for the year ending 31 December 2019, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared in sterling, which is the Group's presentation and functional currency. They have been prepared using the historical cost convention.

The parent company accounts have also been prepared in accordance with IFRS and using the historical cost convention.

Monetary amounts in these financial statements are rounded to the nearest thousand.

Going concern

The directors consider that the going concern basis of accounting remains appropriate. Future plans indicate that the Group will be able to meet future financing needs from future cash flows generated. In order to conclude whether the going concern basis is appropriate for the preparation of the financial statements, management have prepared forecasts to 31 December 2020 and then subsequently considered the position through to 30 June 2021. The directors have updated these forecasts following the year end to take into account the reasonably expected impact on the level of trade including the impact on recurring and non-recurring income and the payment profile of the collection of trade receivables. The abrupt halting of new business generation which has occurred post year end has been assumed to continue until Q4 in the current year. The Group has applied to secure additional funding towards its underlying costs through the Canada Emergency Wage Subsidy and will continue to benefit from a number of other grants from the Canadian Government.

These forecasts show that the Group has an adequate level of cash reserves to meet its operating liabilities as and when they fall due from existing sources. The Group is focused on conserving cash levels during the period to preserve the jobs of its employees and will continue to closely monitor cash flows throughout this period. The Board have concluded that the current forecasts have adequate headroom to be able to conclude that the going concern basis of accounting remains appropriate.

1 ACCOUNTING POLICIES *(continued)*

(a) Basis of preparation *(continued)*

Initial application of IFRS 16 Leases

The Group has applied IFRS 16 Leases for the first time in the year ended 31 December 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'.

As a result of the adoption of IFRS 16 the Group has adopted consequential changes to IAS 1 Presentation of Financial Statements.

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 right-of-use assets recognised at 1 January 2019 were assessed for impairment. Any impairment losses have been recognised in profit or loss.

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;
- A single discount rate has been applied to portfolios of leases with similar characteristics;
- Initial direct costs have been excluded from the measurement of the right-of-use assets; and
- Hindsight has been applied in determining the lease term for contracts that contain lease extension or termination options.

As at 1 January 2019, the Group recognised right-of-use assets of £335,000 and a lease liability of £335,000 in the statement of financial position. Further details on the recognition and measurement differences arising on the adoption of IFRS 16 are disclosed in notes 10 and 16.

The amounts recognised for leases at 1 January 2019, have been measured as follows:

- 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 of 5.00%.
- The right-of-use asset is measured at the amount of the lease liability recognised in accordance with the measurement set out above.

New standards not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting period and have not been early adopted by the company. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

1 ACCOUNTING POLICIES *(continued)*

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company is exposed or has the right to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The trading results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intra-group transactions, balances, income and expenditure are eliminated on consolidation.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at fair value at the acquisition date irrespective of the extent of any minority interest.

The excess of cost of acquisition over the fair values of the Group's share of identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair value of identifiable net assets acquired (i.e. discount on acquisition) is recognised directly in the income statement.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

(c) Revenue recognition

Revenue represents the fair value of goods and services supplied and is stated net of value added tax. Revenue is measured based on the consideration specified in a contract with a customer. Revenue is recognised by the Group when it transfers control over a product or service to a customer.

Revenues consist of cloud services, software and software maintenance, and consulting. Initial contract periods are usually either 12 months with no automatic renewal or are in effect in perpetuity.

Revenue from the sale of cloud based Migrate software licences and related conversion credit sales are considered interdependent and are recognised as a single performance obligation and recognised over the term of the licence. Where conversion credits are purchased at a time different to the initiation of the license, the revenue arising is spread over the license term. Unutilised conversion credits lapse where there is no live license held.

Revenue from the sale of OmniMark and AuthorBridge software licences is recognised when the customer is able to take possession of the software. This is because the software is functional at the time the licence transfers to the customer and the Group is not required or expected to undertake activities that significantly affect the utility of the intellectual property by the customer

Revenue from software maintenance is deferred and then recognised over the period to which it relates. The Group uses a time based method to measure the percentage of completion when services span two reporting periods.

Software maintenance and other professional services are not usually bundled into a contract and are agreed separately. Revenue from the professional services is recognised over the period of service and measured using a time based method.

1 ACCOUNTING POLICIES *(continued)*

(c) Revenue recognition *(continued)*

Contract liabilities represent income received from clients in advance of work done, and also the element of Migrate licence revenue and maintenance contracts not falling due in the current year. The Group has applied practical expedients to recognise incremental costs of obtaining a contract as an expense and to not adjust the promised amount of consideration for the effects of a significant financing component if the entity expects, at contract inception, that the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

(d) Goodwill

Goodwill arising on consolidation is recorded as an intangible asset and is the surplus of the fair value of the consideration payable over the Group's interest in the fair value of identifiable net assets acquired. Goodwill is reviewed annually for impairment. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment identified as a result of the review is charged in the income statement.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(e) Foreign currency translation

Transactions in foreign currencies are translated into the functional currency of each of the Group's entities using the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in the income statement for the period, except for exchange differences on non-monetary assets and liabilities, which are recognised directly in equity. The Group has elected to treat goodwill arising on acquisitions before the date of transition to IFRS as sterling denominated.

(f) Intangible assets other than goodwill

An intangible asset, which is an identifiable non-monetary asset without physical substance, is recognised to the extent that it is probable that the expected future economic benefits attributable to the asset will flow to the Group and that its cost can be measured reliably. The asset is deemed to be identifiable when it is separable or when it arises from contractual or other legal rights.

Development expenditure is capitalised as an intangible asset only if the following conditions are met:

1) an asset is created that can be identified;
2) it is probable that the asset created will generate future economic benefit;
3) it is technically and commercially feasible;
4) sufficient resources are available to complete the development;
5) the directly attributable developments cost of the asset can be measured reliably;
6) there is an intention and ability to complete an asset and use or sell it.

Development expenditure thus capitalised is reviewed for impairment after being first brought into use.

Where the criteria are not met, expenditure is recognised as an expense in the income statement in the period in which it is incurred.

1 ACCOUNTING POLICIES *(continued)*

(f) Intangible assets other than goodwill *(continued)*

Amortisation of development expenditure is provided to write off the cost, less residual value, on a straight line basis over the estimated useful life, as follows:

Development costs	6.6% per annum

Residual values, remaining useful lives and amortisation methods are reviewed annually and adjusted if appropriate.

The Group assesses at each reporting date whether an asset may be impaired. If any such indicator exists, the entity tests for impairment by estimating the recoverable amount. If the recoverable amount is less than the carrying value of an asset an impairment loss is required.

(g) Plant and equipment

All plant and equipment assets are stated at cost less accumulated depreciation and any impairment.

Depreciation of plant and equipment is provided to write off the cost, less residual value, on a straight line basis over the estimated useful life, as follows:

Office equipment and fixtures	20% - 33.3% per annum
Computer equipment	33.3% per annum
Leasehold improvements	20% per annum

Residual values, remaining useful lives and depreciation methods are reviewed annually and adjusted if appropriate.

Gains or losses on disposal are included in the income statement.

The entity assesses at each reporting date whether an asset may be impaired. If any such indicator exists, the entity tests for impairment by estimating the recoverable amount. If the recoverable amount is less than the carrying value of an asset an impairment loss is required.

(h) 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 land and buildings	On a straight-line basis over the lease term

(i) Taxes

The tax expense represents the sum of the current tax expense and deferred tax expense.

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

1 ACCOUNTING POLICIES *(continued)*

(i) Taxes *(continued)*

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount 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 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. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised, or the liability is settled based upon tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

(j) Fair values

Fair value is the amount for which a financial asset, liability or instrument could be exchanged between knowledgeable and willing parties in an arm’s length transaction. It is determined by reference to quoted market prices, adjusted for estimated transaction costs that would be incurred in an actual transaction, or by use of established estimation techniques. The fair values at the reporting date are approximately in line with their reported carrying values unless specifically mentioned in the notes to the financial statements.

(k) Financial instruments

Financial assets and financial liabilities are recognised in the Group’s Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables do not carry any interest and are initially recognised at fair value and subsequently at amortised cost using the effective interest method less any provision for impairment.

Receivables are considered to be in default when the principal or any interest is more than 90 days past due, based on an assessment of past payment practices and the likelihood of such overdue amounts being recovered. Trade receivables are written off (i.e. derecognised) when there is no reasonable expectation of recovery.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

1 ACCOUNTING POLICIES *(continued)*

(k) Financial instruments *(continued)*

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial period which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest rate method.

(l) Share based payments

Options are measured at fair value at grant date using the Black-Scholes model. The fair value is expensed on a straight line basis over the vesting period, based on an estimate of the number of options that will eventually vest. A corresponding increase in equity is also accounted for in relation to share based payments.

(m) Retirement benefits

Contributions to defined contribution plans are recognised as an expense as the contributions accrue.

(n) Leases

On commencement of a contract which gives the Group the right to use an assets for a period of time in exchange for consideration, the Group recognises a right-of-use asset and a lease liability unless the lease qualifies as a 'short-term' lease (term is twelve months or less with no option to purchase the lease asset) or a 'low-value' lease (where the underlying asset is £4,000 or less when new).

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. Lease payments include fixed payments, less any lease incentives receivable, variable lease payments dependant on an index or a rate (such as those linked to LIBOR) and any residual value guarantees.

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.

When the lease liability is re-measured due to changes arising from the original terms and conditions of the lease, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

A lease modification, that was not part of the original terms and conditions of the lease is accounted for as a separate lease or an adjustment to the lease liability depending on the nature of the change.

1 ACCOUNTING POLICIES *(continued)*

(o) Investments

Investments are stated at cost, less provision for any diminution in value.

(p) Critical accounting estimates and areas of judgement

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Critical judgements in applying the Group's accounting policies

(i) Capitalisation of development costs

During the period the directors considered that £110,000 (2018: £213,000) of development costs met the criteria for recognition as intangible assets as defined in IAS 38 on a project initiated during 2014. The recognition criteria on which this judgement was made are given in more detail in the Accounting Policies note 1(f).

(ii) Identifying performance obligations

In recognising revenue on sale of cloud based Migrate software licences, management allocates conversion credits to the performance obligation when purchased, as the credits can be used immediately upon purchase and there is no identifiable pattern for credits use by customers. They are recognised in accordance with the policy set out at 1(c) above.

Key sources of estimation uncertainty

(i) Impairment of carrying value of the investment in subsidiary undertakings

Impairment reviews have been carried out in respect of the carrying value of the investment in subsidiary undertakings included in the Company statement of financial position. The value of this investment consists of the cost of the shares held in the subsidiary undertakings. The impairment provisions are not revised unless there has been a significant improvement in cash flow projections.

(ii) Deferred tax asset recognition

The directors have recognised a deferred tax asset in respect of unused tax losses to the extent that it is probable that the related tax benefits are recoverable through future taxable profits. Details of the policy adopted in respect of income taxes are disclosed in more detail in the Accounting Policies note 1(i). Based on the cash flow projections, a deferred tax of £nil (2018: £50,000) as set out in note 12.

1 ACCOUNTING POLICIES *(continued)*

(r) Critical accounting estimates and areas of judgement *(continued)*

(iii) Measurement of development costs

Whilst the Group has a time recording system in place which records the time spent by each developer on individual projects, management are required to estimate what element of this time directly meets the requirements of IAS 38. There is a key estimate in respect of the three senior developers' time where a proportion of their project time is not spent directly developing the products.

(iv) Impairment of goodwill

The directors estimate the recoverable amount of the goodwill based on the value in use calculations of the cash generating units. A number of estimates were made in relation to the inputs in the calculations as set out in note 8. At the year end a total impairment loss of £27,000 (2018: £27,000) was recognised.

(v) Impairment of development costs

The directors estimate the recoverable amount of the development costs based on the cash flow projection calculations. At the year end a total impairment loss of £866,000 (2018: £nil) was recognised.

(vi) Measurement of lease liabilities

The directors have made several accounting judgements over the treatment of the office building lease in Canada. Management assumed that the option to extend the lease for a further five years from the initial expiry date would be accepted and assessed that 5% was a reasonable discount rate to reflect the Group's incremental cost of borrowing at the date of transition.

The directors believe that there are no key sources of estimation uncertainty in the accounts for the year, other than those referred to above.

2 REVENUE

The analysis by geographical area of the company's revenue is as follows:

	2019 Revenue by destination £'000	2018 Revenue by destination £'000
United Kingdom	27	76
Rest of Europe	181	181
North America	706	919
South America	184	58
Asia	132	253
	1,230	1,487

All revenues recognised in the year are generated from contracts with customers.

2 REVENUE *(continued)*

The analysis of the Group's revenue by major product lines, contract duration and timing of transfer is as follows:

	2019	2018
	£'000	£'000
Major product lines		
Sale of licenses and conversion credits	383	524
Maintenance fees	726	816
Professional services	121	147
	1,230	1,487
Timing of transfer		
Revenue recognised at a point in time	413	158
Revenue recognised over time	817	1,329
	1,230	1,487

There are no break clauses therefore all revenue allocated to performance obligations that are unsatisfied or partly satisfied at the year end is expected to be recognised in the next financial year. This amount represents contract liabilities and is equal to the amounts in notes 15 and 16.

The amount of revenue recognised in the year that was included in the opening contract liability balance is £335,000, representing the opening current contract liabilities.

Revenues attributable to Migrate licences and conversions credits, together with Maintenance fees are generally received in advance of the provision of the associated service as the performance conditions are fulfilled over time. Professional services are similarly fulfilled over time but will be paid for by the customer under agreed credit terms on delivery of the service. This therefore creates contract liabilities to be recognised within the financial statements. See note 14 and 15 for details of the outstanding contract liabilities as at the year end.

3 STAFF COSTS

Employee costs, including directors, and including capitalised costs, during the year amount to:

	2019	2018
	£'000	£'000
Wages and salaries	923	917
Social security costs	44	50
Pension contributions	17	25
Share based payments	1	2
	985	994

3 STAFF COSTS *(continued)*

The monthly average number of persons, including directors, employed by the Group in the year was:

	2019 No.	2018 No.
Research and development	10	10
Sales, marketing and customer support	5	5
Management and administration	3	3
	18	18

The Company had no employees or costs during the current or previous year.

Key management personnel are considered to be the directors (executive and non-executive).

Directors' emoluments are as follows:

	2019 £'000	2018 £'000
Salary and fees	140	163
Pension contributions	13	16
Social security costs	6	19
Other benefits	6	6
	165	204

One director (2018: one) was accruing a benefit under a defined contribution scheme.

4 ANALYSIS OF EXPENSES BY NATURE

	2019 £'000	2018 £'000
Employee benefits expenses (note 3)	985	994
Less research and development costs capitalised (note 9)	(110)	(213)
Non salary research and development costs	26	16
Amortisation (note 9)	33	-
Depreciation (note 10)	52	11
Profit on disposal of equipment	(1)	-
Impairment of goodwill (note 8)	-	27
Impairment of development costs (note 10)	866	-
Operating lease rentals	-	66
Payments made on short-term leases	13	-
Foreign exchange (gains)/losses	26	(73)
Auditor's remuneration		
- Audit fees – parent company and consolidation	19	22
- Audit fees – subsidiaries	10	10
- All other non-audit services – parent company	6	10
- All other non-audit services – subsidiaries	3	3
- Taxation compliance services	4	4
Other operating expenses	435	481
Total cost of sales and administrative expenses	2,367	1,358

5 FINANCE INCOME

	2019 £'000	2018 £'000
Interest on short term deposits	11	10

6 FINANCE EXPENSE

	2019 £'000	2018 £'000
Interest on lease liabilities	16	-

7 INCOME TAX

	2019 £'000	2018 £'000
(a) Current year tax credit		
Current tax charge	1	3
Overseas taxation credit	(55)	(58)
Foreign withholding tax	13	17
Total current tax credit	(41)	(38)
(b) Deferred tax		
Deferred tax charge (note 11)	50	-
Total tax charge/(credit) for the year	9	(38)

(c) Tax reconciliation

The tax charge/(credit) assessed for the year differs from the applicable standard companies' rate of corporation tax in the UK. The differences are explained below:

	2019 £'000	2018 £'000
(Loss)/profit on ordinary activities before tax	(1,142)	139
Tax at 19.00% (2018: 19.00%)	(217)	26
Effects of:		
Foreign withholding tax	13	17
Foreign tax charges	-	4
Deferred tax not recognised	41	(21)
Deferred tax derecognised	50	-
Expenses not deductible for tax purposes	183	(4)
Amounts relating to change in tax rates	(6)	(2)
Research and development tax credit (including overseas)	(55)	(58)
Total tax charge/(credit) for the year	9	(38)

8 GOODWILL – GROUP

	Total £'000
Cost	
At 1 January 2018	1,660
At 1 January 2019	1,660
At 31 December 2019	1,660
Accumulated impairment	
At 1 January 2018	-
Impairment loss	27
At 1 January 2019	27
At 31 December 2019	27
Closing carrying value	
At 31 December 2019	1,633
At 31 December 2018	1,633
At 31 December 2017	1,660

The goodwill has arisen upon:

- The acquisition of Stilo Corporation (formerly OmniMark Technologies Corporation) and the business and assets of the Content Engineering Division of Xia Systems Corporation, together forming a single cash generating unit with associated goodwill of £1.61m; and

- The acquisition of the business and assets of Proceed Holdings Limited' forming a second cash generating unit with associated goodwill of £0.05m.

An impairment loss of £0.03m was processed in the prior year in relation to goodwill on Proceed Holdings Limited due to a reduction in annual contracted revenue.

The recoverable amount of the cash generating units has been determined by value in use calculations, using pre-tax cash flow projections based on financial budgets approved by management covering a five year period. Cash flows arising from OmniMark software maintenance are extended beyond the five year period as these revenues are annual, recurring revenues which are expected to continue indefinitely. Cash flows beyond the five year period are extrapolated using a growth rate of 2% (2018: 2%). The growth rate does not exceed the long-term average growth rate for the industry. A discount rate of 10% (2018: 10%) has been assumed. The key assumptions which have been used within the value in use calculations are consistent with the forecasts and budgets used by management, and there is no reasonable change to a key assumption that would cause the recoverable amount to equal or be less than the carrying amount.

9 OTHER INTANGIBLE ASSETS - GROUP

	Development costs £'000	Total £'000
Cost		
At 1 January 2018	928	928
Additions	213	213
Exchange rate translation difference for assets held in foreign currency	(19)	(19)
At 1 January 2019	1,122	1,122
Additions	110	110
Exchange rate translation difference for assets held in foreign currency	(11)	(11)
At 31 December 2019	1,221	1,221
Accumulated amortisation		
At 1 January 2018	240	240
At 1 January 2019	240	240
Charge in the year	33	33
Impairment	866	866
Exchange rate translation difference for assets held in foreign currency	(18)	(18)
At 31 December 2019	1,121	1,121
Closing carrying value		
At 31 December 2019	100	100
At 31 December 2018	882	882
At 31 December 2017	688	688

Development costs relate to the Migrate conversion service, and to the development of AuthorBridge.

Sales of Migrate commenced in 2009. Costs have been fully amortised. In 2012 the expenditure totalling £14,000 representing the development of a new Migrate pipeline was capitalised. Sales for this pipeline commenced in 2012, and these have been fully amortised.

Development of AuthorBridge commenced in 2014 and was deemed fully completed with a major release shipped in June 2019. Amortisation has been charged on the asset from this point forward under a 15-year expected useful life. Any income arising as a result of test sales of the software was treated as revenue and credited to the income statement as it falls due under the terms of the relevant accounting policy. The remaining useful life was 14.5 years at the 31 December 2019. Due to revised cash flow projections in relation to the demand for AuthorBridge, an impairment of £866,000 was recognised during the year.

The amortisation charge was included within administrative expenses in the Group Income Statement.

10 PLANT AND EQUIPMENT - GROUP

	Office equipment and fixtures £'000	Computer equipment £'000	Leasehold improvements £'000	Right-of-use assets £'000	Total £'000
Cost					
At 1 January 2018	135	113	82	-	330
Additions	-	13	-	-	13
Disposals	-	(2)	-	-	(2)
Exchange rate translation difference for assets held in foreign currency	(3)	(2)	(2)	-	(7)
At 31 December 2018 – as previously reported	132	122	80	-	334
Right-of-use assets on transition to IFRS 16	-	-	-	335	335
At 1 January 2019	132	122	80	335	669
Additions	-	3	-	-	3
Disposals	(8)	(23)	-	-	(31)
Exchange rate translation difference for assets held in foreign currency	1	1	1	14	17
At 31 December 2019	125	103	81	349	658

10 PLANT AND EQUIPMENT - GROUP *(continued)*

	Office equipment and fixtures £'000	Computer equipment £'000	Leasehold improvements £'000	Right-of-use assets £'000	Total £'000
Depreciation					
At 1 January 2018	135	101	82	-	318
Charge in the year	-	11	-	-	11
Disposals	-	(2)	-	-	(2)
Exchange rate translation difference for assets held in foreign currency	(3)	(2)	(2)	-	(7)
At 1 January 2019	132	108	80	-	320
Charge in the year	-	8	-	44	52
Disposals	(8)	(23)	-	-	(31)
Exchange rate translation difference for assets held in foreign currency	1	1	1	-	3
At 31 December 2019	125	94	81	44	344
Net book value					
At 31 December 2019	-	9	-	305	314
At 31 December 2018	-	14	-	-	14
At 31 December 2017	-	12	-	-	12

The depreciation charge is included within administrative expenses in the Group Income Statement.
The Company held no plant and equipment during the current or previous year.

10 PLANT AND EQUIPMENT - GROUP *(continued)*

The carrying amount of property, plant and equipment include right-of-use assets, at 31 December as detailed below:

	2019 £'000
Carrying amount of right-of-use assets included within property, plant and equipment	
Land and buildings	305
	305

	2019 £'000
Total depreciation charged on right-of-use assets included within property, plant and equipment	
Land and buildings	44
	44

11 DEFERRED TAX - GROUP

	2019 £'000	2018 £'000
Deferred tax assets:		
At 1 January 2019	50	50
Reversed in year	(50)	-
At 31 December 2019	-	50

At the reporting date, the Group has unused tax losses of approximately £4.7m (2018: £4.9m) available for offset against future profits. A deferred tax asset of £nil (2018: £50,000) has been recognised in respect of these available losses, to the extent that it is probable that the related tax benefits are recoverable through future taxable profits. No additional deferred tax asset has been recognised in respect of the remaining losses due to the unpredictability of future profit streams. There are £nil tax losses which expire in 2019 (2018: £nil).

12 TRADE AND OTHER RECEIVABLES - GROUP

	2019 £'000	2018 £'000
Trade receivables	192	224
Prepayments	33	35
VAT receivable	7	-
	232	259

Standard credit terms for trade receivables are 30 days from invoice date, although certain credit terms are contract-specific. The directors consider that the carrying amount of trade and other receivables approximates to their fair value. Gross trade receivables at year end were £192,000 (2018: £224,000). A loss allowance of £nil (2018: £nil) has been recognised for trade receivables as none were in default at the year end. The nature of the majority of the Group's revenues is such that they either receive payment in advance of the provision of the service and / or are able to cease the provision of services in the event that agreed credit terms are not adhered to (which would be defined as a circumstance of default). This means the credit risk exposure of the Group is low. As a result of the £nil loss allowance arising, the Directors have concluded that no further disclosure of credit risk exposure as required by IFRS 7 : Financial Instruments is required.

All trade receivables recognised in the year are generated from contracts with customers.

Trade receivables denominated in US dollars at year end were £145,000 (2018: £168,000), trade receivables denominated in Euros were £46,000 (2018: £54,000), trade receivables denominated in sterling were £1,000 (2018: £2,000).

13 CASH AND CASH EQUIVALENTS - GROUP

Cash and cash equivalents consist of cash on hand and short term deposits held with banks. Cash and short term deposits and cash equivalents included in the Statement of Cash Flows comprise the following Statement of Financial Position amounts:

	2019 £'000	2018 £'000
Cash on hand and balances with banks	521	777
Short term deposits	290	494
	811	1,271

The directors consider that the carrying amount of these assets approximates to their fair value.

14 TRADE AND OTHER PAYABLES – GROUP

	2019 £'000	2018 £'000
Trade payables	28	20
Other creditors and accrued expenditure	79	81
Lease liabilities	39	-
Contract liabilities	359	331
Other taxation and social security	2	3
Corporation tax payable	1	1
	508	436

The directors consider that the carrying amount of trade and other payables approximates to their fair value. All trade payables are due within 30 days.

The average credit period taken at 31 December 2019 was 20 days (2018: 17 days).

Trade payables denominated in Canadian dollars at the year end were £16,000 (2018: £2,000) and trade payables denominated in US dollars were £nil (2018: £1,000). The remaining trade payables are denominated in sterling.

Contract liabilities arise on Migrate licences and OmniMark maintenance contracts and represent consideration received from customers in advance of work being completed, where the expected term of the contract crosses the year end. With the exception of the sums included in note 15, these contract liabilities will be fulfilled within twelve months of the balance sheet date.

15 NON-CURRENT LIABILITIES - OTHER PAYABLES - GROUP

	2019 £'000	2018 £'000
Contract liabilities	4	4
Lease liabilities (note 16)	273	-
	277	4

Contract liabilities arise on Migrate licences and OmniMark maintenance contracts and represent consideration received from customers in advance of work being completed, where the expected term of the contract crosses the year end.

16 LEASE LIABILITIES

Lessee

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 leased office premises for five years from the 1 October 2016 to the 30 September 2021. There is an extension option of an additional five years which is assumed to be exercised by the Group at the expiry date. An incremental borrowing rate of 5% was used to calculate the present value of lease liabilities.

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:

	Liability £’000
Operating lease commitments disclosed as at 31 December 2018	155
Discounted using the lessee’s incremental borrowing rate at the date of initial application	(38)
Less: adjustment as a result of short term leases with less than 12 months to run as at the year-end	(13)
Add: adjustment as a result of the assumption that the lease will be extended for a further five years beyond the expiration date	231
Lease liability recognised as at 1 January 2019	335

At the year end, the Group had no lease commitments relating to short-term leases.

The total cash outflow for leases during the year was £53,000.

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 At 31 December 2019
	£’000	£’000	£’000	£’000	£’000
Land and buildings leases	27	27	213	93	360
	27	27	213	93	360

	Within 6 months	6 months - 1 year	1 - 5 years	Over 5 years	Total At 31 December 2018
	£’000	£’000	£’000	£’000	£’000
Land and buildings leases	34	32	208	143	417
	34	32	208	143	417

17 CALLED UP SHARE CAPITAL – GROUP AND PARENT

	2019 £'000	2018 £'000
Called up, allotted and fully paid		
98,154,401 (2018: 113,930,470) ordinary shares of 1p each	981	1,139

The Company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the Company.

	Number of shares	£'000
Number of shares as at 1 January 2019	113,930,470	1,139
Shares bought back by the company and subsequently cancelled	(15,776,069)	(158)
Number of shares as at 31 December 2019	98,154,401	981

18 SHARE BASED PAYMENTS – GROUP AND PARENT

The following options have been granted over 1p Ordinary shares in the parent Company:

Date exercisable	As at 1 January 2019	Forfeited	Expired	As at 31 December 2019	Exercise price
Unapproved Scheme:					
from 23 October 2011 to 22 October 2019	1,300,000	-	(1,300,000)	-	1.25p
from 20 April 2013 to 19 April 2021	2,338,000	-	-	2,338,000	2.25p
from 15 September 2017 to 14 September 2025	2,550,000	(50,000)	-	2,500,000	3.75p
from 30 March 2018 to 29 March 2026	50,000	-	-	50,000	5.45p
EMI Scheme:					
from 15 September 2017 to 14 September 2025	6,600,000	-	-	6,600,000	3.75p
from 25 September 2016 to 24 September 2024	50,000	(50,000)	-	-	3.0p
from 21 April 2019 to 20 April 2027	200,000	(200,000)	-	-	6.25p
	13,088,000	(300,000)	(1,300,000)	11,488,000	

An expense of £1,000 (2018: £2,000) was recognised from share-based transactions in the year.

18 SHARE BASED PAYMENTS – GROUP AND PARENT *(continued)*

Equity-settled share option plan

The Group plan provides for a grant price equal to the average quoted market price of the Group shares on the date of grant. Options are conditional on the employee completing two years' service (the vesting period). If options remain unexercised after a period of 10 years from the date of grant, the options expire. Furthermore, options are normally forfeited if the employee leaves the Group before the options vest. The options were not cancelled or modified upon the delisting of the shares.

	2019		2018	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Outstanding at 1 January	13,088,000	3.28p	13,400,000	3.18p
Granted during the year	-	-	-	-
Forfeited during the year	(300,000)	5.29p	(312,000)	1.5p
Exercised during the year	-	-	-	-
Expired during the year	(1,300,000)	1.25p	-	-
Outstanding at 31 December	11,488,000	3.45p	13,088,000	3.28p
Exercisable at 31 December	11,488,000	3.45p	12,888,000	3.23p

The options outstanding at 31 December 2019 had an exercise price between 2.25p and 5.45p (2018: 1.25p and 6.25p), and a weighted average remaining contractual life of 4.81 years (2018: 5.36 years).

19 RETIREMENT BENEFIT OBLIGATIONS

The Group pension arrangements are operated through a defined contribution scheme. The amount recognised as an expense in the year ended 31 December 2019 is £17,000 (2018: £25,000).

20 CONTINGENT LIABILITIES

There are no contingent liabilities that require disclosure in the Group and Company accounts.

21 FINANCIAL RISK MANAGEMENT

The Group's operations expose it to a number of financial risks including market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group manages these risks through an effective risk management programme.

Exposures to risks are monitored by the Group, and reports are produced monthly to assess risks and to indicate their impact on the business.

The risk reports are provided to the Board of Directors at bi-monthly board meetings and are discussed with the Board to ensure that the risk mitigation procedures are compliant with the Group policy and that any new risks are appropriately managed.

Liquidity risk
The Group closely monitors its access to bank and other credit facilities in comparison to its outstanding commitments on a regular basis to ensure that it has sufficient funds to meet the obligations of the Group as they fall due.

The Board receives regular debt management forecasts which estimate the cash inflows and outflows over the next twelve months, so that management can ensure that sufficient funding is in place as it is required.

Interest rate profile
The Group has no interest bearing financial assets other than cash deposits of £0.4m (2018: £0.5m) invested at an approximate rate of 0.5% above Bank of England base rate. Group funds are invested in deposit accounts with the objective of maintaining a balance between accessibility of funds and competitive rates of return.

The Group had no interest bearing borrowings at 31 December 2019 or 2018.

Maturity of financial assets and liabilities
The maturity profile of the Group's financial liabilities as at 31 December 2019 can be determined from notes 14 and 15.

The main financial assets are cash and accounts receivable. Cash is held mainly in current accounts and short term deposits. The profile of cash and receivables is shown in notes 13 and 14.

The Group would normally expect that sufficient cash is generated in the operating cycle to meet cash flows through effective cash management.

Borrowing facilities
The Group had no un-drawn committed borrowing facilities at 31 December 2019 or 31 December 2018.

Credit risk exposure
Credit risk predominantly arises from financial asset investments, trade receivables and cash and cash equivalents.

Credit exposure is managed on a group basis. Although external credit ratings are not obtained for customers, Group policy is to assess the credit quality of each customer internally before accepting any terms of trade. Internal procedures are performed taking into account their financial position as well as their reputation within the industry and past experience.

The Group's maximum exposure to credit risk relating to its financial assets is equivalent to their carrying value as disclosed in notes 12 and 13. All financial assets have a fair value which is equal to their carrying value.

21 FINANCIAL RISK MANAGEMENT (*continued*)

Foreign currency exposure
The Group operates in a number of markets across the world and is exposed to foreign exchange risk arising from various currency exposures, in particular with respect to the US dollar, Canadian dollar and the Euro. The Group is exposed to foreign currency risk arising from recognised assets and liabilities as well as commitments arising from future trading transactions. Approximately 85% of sales are denominated in US dollars and 13% of sales are in Euros. Approximately 65% of costs are in Canadian dollars. Details of accounts receivable and accounts payable denominated in foreign currencies are given in notes 12 and 14. Approximately 2% of the Group's cash is held in US dollars and 38% in Canadian dollars. As a result of a partial natural hedge between the different currencies, the Group is reasonably protected against currency fluctuations.

The Group is exposed to foreign exchange risk from commercial transactions and recognised assets and liabilities which are denominated in a currency other than the Group entities' functional currencies. In particular, the Group has significant US dollar transactions which are recorded in a Canadian dollar functional currency. At 31 December 2019 if the US dollar had weakened by 7% against the Canadian dollar, post-tax profit would have been £6,000 lower as a result of the foreign exchange losses on translation of US dollar-denominated cash and accounts receivable. Additionally, a 5% weakening of sterling against the Canadian dollar would have reduced post tax profits by approximately £15,000 on the translation of Canadian dollar denominated cash balances.

22 CAPITAL MANAGEMENT

The Group's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

There is no external debt in the Group.

23 RELATED PARTY TRANSACTIONS

Transactions with related parties were as follows:

Disclosures required in respect of IAS 24 regarding remuneration of key management personnel is covered by the disclosure of directors' remuneration included within note 3.

During the year the following transactions, which are all considered to be at arms length, took place between group companies:

Management fees charged by Stilo International Limited to Stilo Technology Limited were £476,000 (2018: £247,000).

Management fees charged by Stilo Technology Limited to Stilo International Limited were £334,000 (2018: £200,000).

Fee for use of IP charged by Stilo Technology Limited to Stilo Corporation was £110,000 (2018: £210,000)

Cost recharges from Stilo Corporation to Stilo Technology Limited were £9,000 (2018: £10,000).

At 31 December 2019 the following balances were owed by companies within the same group, are unsecured and have no fixed repayment dates:

Amounts owed by Stilo Technology Limited to Stilo International Limited were £3,987,000 (2018: £4,071,000) which is included within investments within Stilo International Limited after provisions of £3,987,000 (2018: £4,071,000).

Loan owed by Stilo Corporation to Stilo International Limited was £867,000 (2018: £867,000) which is included within investments within Stilo International plc after provisions of £595,000 (2018: £595,000).

Amounts owed by Stilo Corporation to Stilo Technology Limited were £251,000 (2018: £90,000 due from).

Dividends paid to directors were:
David Ashman £8,512 (2018: £15,368)
Leslie Burnham £3,000 (2018: £5,500)

24 BANK GUARANTEES

There were no bank guarantees given by the Company at 31 December 2019 or at 31 December 2018.

25 INVESTMENT IN SUBSIDIARIES

Parent company only

	Investments in subsidiaries £'000	Loans to subsidiaries £'000	Total £'000
Cost or brought forward balance:			
At 1 January 2018	1,312	5,016	6,328
Recharge of share based payment expense / (repayment of loans)	2	(78)	(76)
At 1 January 2019	1,314	4,938	6,252
Recharge of share based payment expense / (repayment of loans)	1	(84)	(83)
At 31 December 2019	1,315	4,854	6,169
Provisions:			
At 1 January 2018	369	4,685	5,054
At 1 January 2019	369	4,685	5,054
At 31 December 2019	369	4,685	5,054
Net book value:			
At 31 December 2019	946	169	1,115
At 31 December 2018	945	253	1,198
At 31 December 2017	943	331	1,274

The net book value of investments is stated after impairment write-downs and provisions against loans and investments of £5,054,000 (2018: £5,054,000).

Each subsidiary principally does business in the country of its incorporation and all equity is in the form of ordinary shares or its equivalent. There are no significant restrictions on the entities ability to access or use assets, and settle liabilities, of the subsidiaries in the Group. The following is a list of all subsidiaries.

Name of company	Address of the registered office	Share holding	Nature of business
Stilo Technology Limited (1)	a)	100%	Sale of software and services
Stilo Corporation (1)	b)	100%	Sale of software and services
OmniMark Technologies Inc (2)	b)	100%	Dormant

(1) Directly owned by Stilo International Limited
(2) Owned by Stilo Corporation
a) Regus House, Windmill Hill Business Park, Whitehill Way, Swindon, Wiltshire, SN5 6QR
b) 1900 City Park Drive, Suite 504, Ottawa, Ontario K1J 1A3, Canada

26 DIVIDENDS

	2019 £'000	2018 £'000
Final paid in respect of the prior year (0.06 pence per share) (2018: 0.05 pence per share)	68	57
Interim paid in respect of the current year (nil pence per share) (2018: 0.06 pence per share)	-	68
	68	125

27 FINANCIAL INSTRUMENTS

Financial assets measured at amortised cost	2019 £'000	2018 £'000
Trade and other receivables	192	224
Cash and cash equivalents	811	1,271
	1,003	1,495

Financial liabilities measured at amortised cost	2019 £'000	2018 £'000
Trade and other payables	107	101
Lease liabilities	312	-
	419	101

28 POST BALANCE SHEET EVENTS

Following the year end, the Company's activities have been impacted by the global Covid-19 pandemic, with orders for new business being put on hold by the majority of customers. Whilst the precise impact of the pandemic is uncertain the Directors' have re-forecast profitability and cashflows to 31 December 2020 and reconsidered the expected position to 30 June 2021 to take into account expected outcomes. Details of actions being undertaken to mitigate the impact of the pandemic are provided in the Going Concern accounting policy and the Strategic Report.