

Stilo Technology Limited
ANNUAL REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2018

Registered Number: 03108773

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Stilo Technology Limited

OFFICERS, ADVISORS AND OTHER COMPANY INFORMATION

DIRECTORS

Leslie Burnham
David Ashman

COMPANY SECRETARY

Liam O'Donoghue

BANKERS

Natwest Bank plc
207 Richmond Road
Cardiff
CF24 3UX

AUDITOR

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

REGISTERED OFFICE

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

Stilo Technology Limited

STRATEGIC REVIEW

for the year ended 31 December 2018

Stilo Technology Limited is wholly owned by Stilo International plc. The principal activity of the company is the provision of XML content processing technology and cloud content conversion services to major corporations.

The company generated a profit for the year after taxation of £49,000 (2017: £53,000), and continued to maintain a strong cash position, with no external borrowing.

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, Japan Patent Office, Qantas and Gulfstream.

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 Edwards Lifesciences, Visa, Viewpoint, ARRIS, Synopsys, Deltek, Varian and TIBCO.

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.

Initial customer testing is due to start in the coming months and we expect to make OptimizeR generally available to customers mid-year 2019.

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. This release helps position AuthorBridge at the forefront of web-based DITA editing tools, albeit there are some additional developments that we need to undertake to round it off. Its initial deployment in production at IBM, following extensive co-operation and testing by the central IBM Information Developer Tools team, serves as a good foundation upon which we can build future sales. Other customers include the Nuclear Regulatory Commission, Intel, Kaplan Professional and Coriolis.

The costs of developing AuthorBridge are included in a fellow subsidiary undertaking.

Stilo Technology Limited

STRATEGIC REPORT *(Continued)*

for the year ended 31 December 2018

Outlook

The long-awaited release of AuthorBridge v3 in early 2019 provides for a best-in-class web authoring tool for the DITA market. However, the DITA market has well-established competitors, and it will take time for us to build significant new revenue streams with customers and technology partners.

In the short term, growth will be primarily driven by sales of Migrate and OptimizeR solutions to new customers and we will be stepping up our sales, marketing and development efforts accordingly. 2019 is going to be a challenging year for the company, with potential demand, as always, difficult to predict at the current time.

Business risk and key performance indicators

The directors of Stilo Technology Limited manage the company's risks at a group level, rather than at an individual business unit level.

For this reason, the company's directors believe that a discussion of the group's risks and key performance indicators would not be appropriate for an understanding of the development, performance or position of Stilo Technology Limited's business. The principal risks and uncertainties of the Stilo International plc group, which include those of this company, are discussed within the Strategic report of the group's annual report which does not form part of this report. Copies of the Stilo International plc financial statements and the group's annual report can be obtained from the group's website: www.stilo.com.

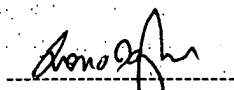
Exit from the European Union

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.

Financial risk management and exposure

Financial risk management and exposure are managed at a group level, rather than at an individual business unit level. The group's financial risk management is considered further within the Strategic report of the group's annual report.

Signed by order of the board


Liam O'Donoghue
Company Secretary

Date: 13 March 2019

Stilo Technology Limited

DIRECTORS' REPORT

for the year ended 31 December 2018

The Directors present their report together with the audited accounts of the company for the year ended 31 December 2018.

RESULTS AND DIVIDENDS

There is a profit for the year after taxation of £49,000 (2017: £53,000). The directors are unable to recommend the payment of a dividend (2017: £nil). The directors consider that the going concern basis is still appropriate, given the support provided by the parent company and the positive cash balances, and therefore the financial statements are prepared on the going concern basis. Further discussion of the appropriateness of the going concern basis is contained in note 1.

DIRECTORS

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

Leslie Burnham
David Ashman

EMPLOYEES

The company 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 company's affairs and are consulted on a regular basis through meetings, wherever feasible and appropriate.

ENVIRONMENT

The activities of the company do not pose environmental hazards. The company cooperates with relevant authorities to ensure that all statutory environmental requirements are complied with.

DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements of the company in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

The financial statements are required by law and IFRS as adopted by the EU to present fairly the financial position and performance of the company. 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 company and of the profit or loss of the company for that period.

Stilo Technology Limited

DIRECTORS' REPORT (*Continued*)

for the year ended 31 December 2018

DIRECTORS' RESPONSIBILITIES (*continued*)

In preparing the 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 IFRS as adopted by the EU;
- d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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 financial risk management policies and objectives.

QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

The company 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.

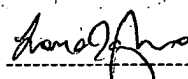
STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

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 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 it has been communicated to the auditor.

AUDITOR

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

Signed by order of the board



Liam O'Donoghue
Company Secretary

Date: 13 March 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STILO TECHNOLOGY LIMITED

Opinion

We have audited the financial statements of Stilo Technology Limited (the 'company') for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STILO TECHNOLOGY LIMITED *(continued)*

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic review and the directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on pages 4 and 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/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
For and on behalf of RSM UK AUDIT LLP, Statutory Auditor
Chartered Accountants
Central Square
5th Floor
29 Wellington Street
Leeds
LS1 4DL

Date: 13 March 2019

Stilo Technology Limited

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2018

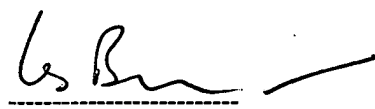
	<i>Notes</i>	2018 £'000	2017 £'000
Continuing operations			
Revenue	2	424	468
Cost of sales	3	(16)	(13)
Gross profit		408	455
Administrative expenses	3	(562)	(604)
Other operating income		200	200
Operating profit		46	51
Finance income		4	2
Profit before income tax		50	53
Income tax	6	(1)	-
Profit for the year		49	53
Other comprehensive income		-	-
Total comprehensive income for year		49	53

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

Stilo Technology Limited
STATEMENT OF FINANCIAL POSITION
as at 31 December 2018

	<i>Notes</i>	2018 £'000	2017 £'000
Non - current assets			
Goodwill	7	23	50
Other intangible assets	7	-	-
Plant and equipment	8	-	1
		<u>23</u>	<u>51</u>
Current assets			
Trade and other receivables	9	65	40
Cash and cash equivalents	10	798	817
		<u>863</u>	<u>857</u>
Total assets		<u>886</u>	<u>908</u>
Current liabilities: Trade and other payables	11	<u>222</u>	<u>217</u>
Non – current liabilities: Other payables	12	<u>4,071</u>	<u>4,149</u>
Total liabilities		<u>4,293</u>	<u>4,366</u>
Equity attributable to the parent company			
Called up share capital	15	50	50
Share premium account		658	658
Capital contribution reserve		88	86
Retained earnings		(4,203)	(4,252)
Total equity		<u>(3,407)</u>	<u>(3,458)</u>
Total equity and liabilities		<u>886</u>	<u>908</u>

The financial statements on pages 8 to 30 were approved by the Board of Directors and authorised for issue on 13 March 2019 and signed on their behalf by:


Leslie Burnham
Director

Stilo Technology Limited

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2018

	Called up share capital £'000	Share premium account £'000	Capital contribution reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2017	50	658	55	(4,305)	(3,542)
Comprehensive income					
Profit for the financial year	-	-	-	53	53
Transactions with owners					
Share based payment transactions	-	-	31	-	31
Balance at 1 January 2018	50	658	86	(4,252)	(3,458)
Comprehensive income					
Profit for the financial year	-	-	-	49	49
Transactions with owners					
Share based payment transactions	-	-	2	-	2
Balance at 31 December 2018	50	658	88	(4,203)	(3,407)

Share premium account

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

Capital contribution reserve

Recognises capital contributions to the equity of the company by the parent, such as share based payments in relation to shares granted to employees of the company by the parent.

Retained earnings

Retained earnings represent the accumulated retained profits and losses.

Stilo Technology Limited
STATEMENT OF CASH FLOWS
for the year ended 31 December 2018

	2018		2017	
	£'000	£'000	£'000	£'000
Cash flow from operating activities				
Profit before taxation	50		53	
Adjustment for depreciation	1		2	
Adjustment for impairment of goodwill	27		-	
Adjustment for share based payments	2		31	
Adjustment for investment income	(4)		(2)	
Operating cash flows before movements in working capital	76		84	
(Increase)/decrease in trade and other receivables	(25)		55	
Decrease in trade and other payables	(74)		(123)	
Cash (used in)/generated from operations		(23)		16
Tax paid		-		(1)
Net cash (used in)/generated from operating activities		(23)		15
Cash flows from investing activities				
Finance income		4		2
Purchase of plant and equipment		-		(1)
Proceeds on disposal of equipment		-		1
Net cash generated from investing activities		4		2
Net (decrease)/increase in cash and cash equivalents		(19)		17
Cash and cash equivalents at beginning of year		817		800
Cash and cash equivalents at end of year		798		817

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

Stilo Technology Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2018

1 ACCOUNTING POLICIES

(a) Basis of preparation

Stilo Technology Limited is a private limited company, incorporated and domiciled in England. Its parent company, Stilo International plc, is listed on AIM. The registered address of Stilo Technology is Regus House, Windmill Hill Business Park, Whitehill Way, Swindon SN5 6QR.

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 financial statements for the year ending 31 December 2018, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. They have been prepared using the historical cost convention.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest thousand.

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of the financial statements. If in the future such estimates and assumptions, which are based on management's best judgement at the date of the financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change.

The directors consider that the going concern basis is still appropriate, provided the support given to the company by the parent company. The cost base is stable and future plans indicate that the company 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 based on a flat level of trading for the current year and assuming that the historical payment profile of receivables and payables remains consistent with that experienced in recent years. They have also assumed that there are no significant changes in staffing levels. These forecasts show that the company has adequate level of cash reserves to meet its operating liabilities as and when they fall due from existing sources. A 50% reduction in the group revenue levels (without any adjustment in the cost base in the business) would be required before the support given becomes no longer available and the company would need to consider alternative sources of funding. Given that this kind of drop-off in revenues is considered by management to be highly unlikely to occur and they would be able to take compensating actions with regard to the company's cost base, management have concluded that the current forecasts have adequate headroom to be able to conclude that the going concern basis remains appropriate.

Stilo International plc, the parent company, has undertaken to provide or procure the provision of such financial assistance as will enable the company to meet its liabilities incurred in the ordinary course of business for a minimum period of at least one year from the date of approval of these financial statements. Stilo International plc has also agreed to subordinate a portion of the debt due to it to the ordinary creditors of the company (see note 14).

Stilo Technology Limited

NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 31 December 2018

1 ACCOUNTING POLICIES *(continued)*

(a) Basis of Preparation *(continued)*

Initial application of IFRS 9 Financial Instruments

The company has applied IFRS 9 Financial Instruments for the first time in the year ended 31 December 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and measurement.

As a result of the adoption of IFRS 9 the company has adopted consequential changes to IAS 1 Presentation of Financial Statements. In addition, the company has applied the consequential amendments to IFRS 7 Financial Instruments: Disclosure to the current period only.

The classification of financial assets under IFRS 9 is based on whether the contractual cash flows of the instrument are solely payments of principal and interest, and whether the business model is to collect those contractual cash flows and/or sell the financial assets. All the company's financial assets were previously classified as loans and receivables under IAS 39 and are classified as assets at amortised cost under IFRS 9.

The only change in measurement of financial assets on application of IFRS 9 arises from impairment of financial assets. IFRS 9 requires impairments of financial assets to be assessed using an 'expected loss' model.

The change from the 'incurred loss' model previously applied under IAS 39 resulted in an additional impairment loss (net of tax) of less than £1,000 for the company. The directors will continue to estimate impairment losses under IFRS 9 at each reporting date. Receivables are considered to be in default when the principal or any interest is 90 days past due. At 31 December 2018 there were no debts outside of this timeframe and therefore no adjustment has been made.

The application of IFRS 9 has not changed the measurement of the company's financial liabilities or the company's accounting policies for the recognition or derecognition of financial instruments.

Initial application of IFRS 15 Revenue from Contracts with Customers

The company has applied IFRS 15 Revenue from Contracts with Customers: for the first time in the year ended 31 December 2018. There is no impact on the company's results on transition to IFRS 15.

New standards not yet adopted

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

IFRS 16 Leases: Introduces a single lessee accounting model, and eliminates the previous distinction between an operating lease and a finance lease. Endorsed by the EU and effective from 1 January 2019. The directors are currently quantifying the impact of IFRS 16 on the company's financial statements.

b) 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 company 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.

Stilo Technology Limited

NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 31 December 2018

1 ACCOUNTING POLICIES *(continued)*

b) Revenue recognition *(continued)*

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. Consideration related to the conversion credits is allocated to the performance obligation when purchased.

Revenue from the sale of OmniMark 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 company 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 company 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 these services is recognised over the period of service and measured using a time based method.

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 company has applied a practical expedient to recognise incremental costs of obtaining a contract as an expense.

(c) Goodwill

Goodwill is recorded as an intangible asset and is the surplus of the fair value of consideration payable over 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 company'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 Statement of Comprehensive Income.

(d) Foreign currency translation

Transactions in currencies other than sterling, the presentational and functional currency of the company, are recorded at 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 Statement of Comprehensive Income for the period, except for exchange differences on non-monetary assets and liabilities, which are recognised directly in equity.

(e) 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 company 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.

Stilo Technology Limited

NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 31 December 2018

1 ACCOUNTING POLICIES *(continued)*

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

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 amortised over its useful life (see note 7). Where the criteria are not met, development expenditure is recognised as an expense in the Statement of Comprehensive Income in the period in which it is incurred.

The company 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.

(f) 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 fixtures	33.3% per annum
Computer equipment	33.3% 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 Statement of Comprehensive Income.

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.

(g) 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 Statement of Comprehensive Income 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 company's liability for current tax is calculated by using tax rates that have been enacted or substantively enacted by the reporting date.

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.

Stilo Technology Limited

NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 31 December 2018

1 ACCOUNTING POLICIES *(continued)*

(g) Taxes *(continued)*

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 Statement of Comprehensive Income, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

(h) 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.

(i) Financial instruments

Financial assets and financial liabilities are recognised in the company's Statement of Financial Position when the company 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.

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.

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 company after deducting all of its trade payables. Equity instruments issued by the company 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 company 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.

(j) 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.

Stilo Technology Limited

NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 31 December 2018

1 ACCOUNTING POLICIES *(continued)*

(k) Retirement benefit

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

(l) Leases

Leases in which a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recognised in the Statement of Comprehensive Income on a straight line basis over the term of the lease.

(m) Provisions

Provisions are recognised in the statement of financial position when there is a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(n) 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 company 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 company's accounting policies

The directors have not recognised a deferred tax asset in respect of unused tax losses due to uncertainty over the amount and timing of future profits. Details of the policy adopted in respect of income taxes are disclosed in more detail in Accounting Policies note 1 (g).

The directors have considered the appropriateness of the going concern basis. This is further considered in Accounting Policies note 1 (a).

Impairment reviews have been carried out for goodwill. This is further described in Accounting Policies note 1 (c).

Stilo Technology Limited

NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 31 December 2018

1 ACCOUNTING POLICIES *(continued)*

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

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 for allocation between multiple performance obligations. It is assumed that the performance obligations on such services are satisfied evenly over the term of the licence.

Key sources of estimation uncertainty

The directors believe that there are no key sources of estimation uncertainty in the preparation of the financial statements.

2 REVENUE AND SEGMENTAL ANALYSIS

At 31 December 2018, the company's operations are located in the UK.

The analysis by geographical area of the company's revenue and other segmental information is as follows:

	2018			2017		
	Revenue by destination £'000	Non-current assets £'000	Capital expenditure £'000	Revenue by destination £'000	Non-current assets £'000	Capital expenditure £'000
United Kingdom	45	23	-	39	51	1
Rest of Europe	168	-	-	206	-	-
North America	211	-	-	223	-	-
	<u>424</u>	<u>23</u>	<u>-</u>	<u>468</u>	<u>51</u>	<u>1</u>

Revenues of £210,000 (2017: £214,000) are derived from Stilo Corporation, a related company.

The revenues from Proceed Holdings Limited have not been disclosed separately due to the immaterial nature of the revenues.

Stilo Technology Limited

NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 31 December 2018

2 REVENUE AND SEGMENTAL ANALYSIS *(continued)*

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

	2018 £'000	2017 £'000
<i>Major product lines</i>		
Migrate licenses and conversion credits	2	14
OmniMark licenses	37	32
AuthorBridge licenses	4	-
Maintenance fees	167	176
Professional services	214	246
	424	468
<i>Timing of transfer</i>		
Revenue recognised at a point in time	255	278
Revenue recognised over time	169	190
	424	468

The Migrate, OmniMark and AuthorBridge comparative have been updated to be in line with IFRS 15.

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 amount of Contract Liabilities in note 11.

The amount of revenue recognised in the year that was included in the opening contract liability balance is £46,000.

The entity has applied the practical expedient in paragraph 121 of IFRS 15 and does not disclose information relating to performance obligations for contracts that had an original expected duration of one year or less or where the right to consideration from a customer is an amount that corresponds directly with the value of the completed performance obligations (e.g. where the entity bills for each hour of service provided).

Stilo Technology Limited

NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 31 December 2018

3 ANALYSIS OF EXPENSES BY NATURE

	2018 £'000	2017 £'000
Employee benefits expenses (note 5)	296	338
Depreciation (note 8)	1	2
Profit on disposal of plant and equipment	-	(1)
Impairment of goodwill (note 7)	27	-
IP fees - Migrate	210	214
Operating lease rentals	14	14
Foreign exchange losses	-	6
Auditor's remuneration		
- audit fees	13	13
Other operating expenses	17	31
Total cost of sales and administrative expenses	578	617

4 DIRECTORS' EMOLUMENTS

Key management personnel are considered to be the directors.

Directors' emoluments and those of the highest paid director are as follows:

	Directors' Emoluments		Highest Paid Director	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Salary and fees	155	197	155	197
Pension contributions	16	16	16	16
Social security costs	19	22	19	22
Other benefits	6	6	6	6
Share based payments	-	30	-	30
	196	271	196	271

One (2017: one) director was accruing a benefit under a defined contribution scheme.

Stilo Technology Limited

NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 31 December 2018

5 STAFF

The average monthly number of persons, including directors, employed by the company during the year was as follows:

	2018 No.	2017 No.
Management and administration	2	2
Sales, marketing and customer support	2	2
	4	4

The number of persons employed at 31 December 2018 was 4 (2017: 4).

The aggregate payroll costs of these persons, including directors, for the year were as follows:

	2018 £'000	2017 £'000
Wages and salaries	242	257
Social security costs	27	31
Other pension costs	25	19
Share based payments	2	31
	296	338

Stilo Technology Limited

NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 31 December 2018

6 TAXATION

	2018 £'000	2017 £'000
(a) Current year tax charge		
Current tax charge	1	-
	<u>1</u>	<u>-</u>

(b) Tax reconciliation

The tax charge assessed for the period differs from the applicable standard companies' rate of corporation tax in the UK. The differences are explained below:

	2018 £'000	2017 £'000
Profit on ordinary activities before tax	50	53
Tax at 19.00% (2017: 19.25%)	10	10
Effects of:		
Deferred tax not recognised	(13)	(16)
Expenses not deductible for tax purposes	6	6
Amounts relating to change in tax rates	(2)	-
Current tax charge for the year	<u>1</u>	<u>-</u>

The tax rate for the current year is lower than the prior year, due to changes in the UK corporation tax rate, which decreased from 20% to 19% from 1 April 2017. Further reductions to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2016 on 6 September 2016. These reduce the main rate to 17% from 1 April 2020.

The company had approximately £2.9 million (2017: £2.9 million) in trading losses available, subject to agreement by HM Revenue & Customs, to offset against future profits at 31 December 2018.

Deferred tax assets relate to tax losses expected to be utilised against future profits, but are not recognised due to the unpredictability of future profit streams. There are no tax losses which expire in 2018 (2017: £nil).

Stilo Technology Limited

NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 31 December 2018

7 INTANGIBLE FIXED ASSETS

	Goodwill £'000	Contracts £'000	Development costs £'000	Total £'000
Cost				
At 1 January 2017	50	148	223	421
Assets written off	-	(148)	-	(148)
At 1 January 2018	50	-	223	273
At 31 December 2018	50	-	223	273
Accumulated amortisation and impairment				
At 1 January 2017	-	148	223	371
Assets written off	-	(148)	-	(148)
At 1 January 2018	-	-	223	223
Impairment loss	27	-	-	27
At 31 December 2018	27	-	223	250
Closing carrying value				
At 31 December 2018	23	-	-	23
At 31 December 2017	50	-	-	50
At 31 December 2016	50	-	-	50

The goodwill has arisen on the acquisition of the business and assets of Proceed Holdings Limited.

An impairment provision has been made in this year due to a reduction in annual contracted revenue. The business remains profitable and is expected to continue to generate profits in the foreseeable future. The recoverable amount of the cash generating unit 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. A discount rate of 10% (2017: 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 be less than the carrying amount.

Contracts relate to customer contracts acquired from Proceed Holdings Limited in 2006. They have been fully amortised and are no longer utilised.

Development costs relate to the Migrate conversion portal. Sales commenced in 2009. Costs have been fully amortised.

The amortisation charge and impairment loss are included within administrative expenses in the Statement of Comprehensive Income.

Stilo Technology Limited

NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 31 December 2018

8 PLANT AND EQUIPMENT

	Office fixtures £'000	Computer equipment £'000	Total £'000
Cost			
At 1 January 2017	8	24	32
Additions	-	1	1
Disposals	-	(1)	(1)
At 1 January 2018	8	24	32
At 31 December 2018	8	24	32
Depreciation			
At 1 January 2017	7	23	30
Charged in the year	1	1	2
Disposals	-	(1)	(1)
At 1 January 2018	8	23	31
Charge for the year	-	1	1
At 31 December 2018	8	24	32
Net book value			
At 31 December 2018			
At 31 December 2017	-	1	1
At 31 December 2016	1	1	2

The depreciation charge is included within administrative expenses in the Statement of Comprehensive Income.

9 TRADE AND OTHER RECEIVABLES

	2018 £'000	2017 £'000
Trade receivables	57	26
Prepayments	8	10
VAT receivable	-	4
	65	40

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 £57,000 (2017: £26,000). A loss allowance of £nil (2017: £nil) has been recognised for trade receivables.

Trade receivables denominated in Euros were £54,000 (2017: £26,000), trade receivables denominated in US dollars were £1,000 (2017: £nil), trade receivables denominated in sterling were £2,000 (2017: £nil).

Stilo Technology Limited

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2018

10 CASH AND CASH EQUIVALENTS

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:

	2018 £'000	2017 £'000
Cash on hand and balances with banks	698	717
Short term deposits	100	100
	<u>798</u>	<u>817</u>

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

11 TRADE AND OTHER PAYABLES

	2018 £'000	2017 £'000
Trade payables	18	17
Amounts due to group undertakings	90	81
Other payables and accrued expenditure	39	63
Corporation tax payable	1	-
Other taxation and social security	8	10
Contract Liabilities	66	46
	<u>222</u>	<u>217</u>

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 2018 was 30 days (2017: 30 days).

All trade payables at 31 December 2018 and the prior year were denominated in sterling.

12 NON-CURRENT LIABILITIES

	2018 £'000	2017 £'000
Amount due to parent undertaking (see note 14)	4,071	4,149

The non-current liabilities are denominated in sterling and have no fixed repayment schedule. The directors consider that the carrying value of the non-current liabilities approximates to their fair value.

Stilo Technology Limited

NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 31 December 2018

13 FINANCIAL INSTRUMENTS

Financial assets measured at amortised cost	2018 £'000	2017 £'000
Trade and other receivables	57	30
Cash and cash equivalents	798	817
	<u>855</u>	<u>847</u>
Financial liabilities measured at amortised cost	2018 £'000	2017 £'000
Trade and other payables	4,218	4,310
	<u>4,218</u>	<u>4,310</u>

14 SUBORDINATED LOAN

On 31 December 2002 the company and Stilo International plc, the company's parent undertaking, agreed to subordinate an amount due to the parent undertaking of £2,000,000 to the debts due to other creditors of the company for a period of not less than eighteen months. The subordinated loan has no fixed repayment date and will not bear interest charges.

The balance of the amount due to parent undertaking is also interest free and has no fixed date of repayment. The directors of the parent have resolved not to seek repayment for at least the next twelve months.

15 CALLED UP SHARE CAPITAL

	2018		2017	
	Number	£'000	Number	£'000
Called up, allotted and fully paid:				
Ordinary shares of 10p each	351,940	35	351,940	35
Ordinary A shares of 10p each	148,060	15	148,060	15
	<u>500,000</u>	<u>50</u>	<u>500,000</u>	<u>50</u>

The parent undertaking holds 100% of all allotted shares. The company's Ordinary and Ordinary A shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the company.

Stilo Technology Limited

NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 31 December 2018

16 SHARE BASED PAYMENTS

The following options have been granted to employees of Stilo Technology Limited over 1p Ordinary shares in the parent company, Stilo International plc:

Date exercisable	As at 1 January 2018	Granted	Exercised	As at 31 December 2018	Exercise price
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
	<u>6,850,000</u>	<u>-</u>	<u>-</u>	<u>6,850,000</u>	

An expense charge of £2,000 (2017: £31,000) was recognised from share-based transactions in the year.

Included above are 6,600,000 (2017: 6,600,000) share options held by the directors, which have an exercise price of 3.75p.

Stilo Technology Limited

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2018

16 SHARE BASED PAYMENTS *(continued)*

Equity-settled share option plan

The plan provides for a grant price equal to the quoted mid-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. During the year no (2017: none) options were exercised.

	2018		2017	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Outstanding at 1 January	6,850,000	3.82p	6,650,000	3.74p
Granted during the year	-	-	200,000	6.25p
Outstanding at 31 December	6,850,000	3.82p	6,850,000	3.82p
Exercisable at 31 December	6,650,000	3.74p	6,650,000	3.74p

The related weighted average share price at the time of exercise was £nil (2017: £nil) per share. The options outstanding at 31 December 2018 had an exercise price between 3.0p and 6.25p (2017: 3.0p and 6.25p), and a weighted average remaining contractual life of 6.75 years (2017: 7.75 years). The weighted average fair value of each option granted during the year was £nil (2017: 2.19p).

The inputs into the Black Scholes model are as follows:

	2018	2017
Weighted average share price	6.25p	6.25p
Weighted average exercise price	6.25p	6.25p
Expected volatility	38.33%	38.33%
Expected life	10 years	10 years
Risk free rate	1%	1%
Expected dividends	2%	2%

Expected volatility was determined by calculating the historical volatility of the group's share price. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Stilo Technology Limited

NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 December 2018

17 RETIREMENT BENEFIT OBLIGATIONS

The company pension arrangements are operated through a defined contribution scheme. The amount recognised as an expense in the year ended 31 December 2018 is £25,000 (2017: £19,000).

18 COMMITMENTS UNDER OPERATING LEASES

At 31 December 2018, the minimum lease payments under non-cancellable operating lease rentals are in aggregate as follows:

	2018 Land and buildings £'000	Other £'000	2017 Land and buildings £'000	Other £'000
Payable:				
- within 1 year	13	1	13	-
- within 2-5 years	-	-	12	-
	<u>13</u>	<u>1</u>	<u>25</u>	<u>-</u>

Leasing commitments relate to office rental and office equipment.

19 CAPITAL MANAGEMENT

The company'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 company sets the amount of capital in proportion to risk. The company 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 company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Consistently with others in the industry, the company monitors capital on the basis of the debt to adjusted capital ratio. This ratio is calculated as net debt/adjusted capital. Adjusted capital comprises all components of equity other than amounts recognised in equity relating to cash flow hedges, and includes some forms of subordinated debt. Company's net debt/adjusted capital ratio at the year end was 4.94 (2017: 6.17).

Stilo Technology Limited

NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 31 December 2018

20 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 4.

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 Technology Limited to Stilo International plc were £200,000 (2017: £200,000).

Cost recharge from Stilo Corporation to Stilo Technology Limited was £10,000 (2017: £10,000).

Migrate IP fees received from Stilo Corporation were £210,000 (2017: £214,000).

At 31 December 2018 the following balances were owed by companies within the same group, are unsecured and have no fixed repayment dates:

Owed by Stilo Technology Limited to Stilo International plc £4,071,000 (2017: £4,149,000).

Owed by Stilo Technology Limited to Stilo Corporation £90,000 (2017: £81,000).

21 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The largest group in which the company's results are consolidated, and the company's controlling party, is that headed by Stilo International plc, whose principal place of business and registered office is Windmill Hill Business Park, Whitehill Way, Swindon SN5 6QR. The consolidated financial statements of the group are available to the public at this address or at www.stilo.com.

22 BUSINESS RISK AND KEY PERFORMANCE INDICATORS

The directors of Stilo Technology Limited manage the company's risks at a group level, rather than at an individual business unit level.

For this reason, the company's directors believe that a discussion of the group's risks would not be appropriate for an understanding of the development, performance or position of Stilo Technology Limited's business. The principal risks and uncertainties of the Stilo International plc group, which include those of this company, are discussed within the Strategic Report of the group's annual report which does not form part of this report.

23 FINANCIAL RISK MANAGEMENT AND EXPOSURE

Financial risk management and exposure are managed at a group level, rather than at an individual business unit level. The group's financial risk management is considered further within note 21 of the group's consolidated financial statements.

Credit risk exposure

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

The company's maximum exposure to credit risk relating to its financial assets is equivalent to their carrying value as disclosed in note 9. All financial assets have a fair value which is equal to their carrying value.