

SGO Corporation Limited

**Annual Report and Consolidated
financial statements
Registration number 07477910**

31 December 2016

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Strategic report

Principal activities

The principle activity of SGO Corporation Limited (previously Smartmatic Limited) (the 'Company') is the provision of corporate governance to all its subsidiaries (the 'Group') and the issuance of policies and procedures, as well as the formulation of specific plans in areas such as strategic planning, corporate communications, tax, legal and financial matters. The Company incurs costs which are billed to fellow group companies.

Review of business and outlook

SGO Corporation Limited's total consolidated revenue for 2016 reached to US\$196 million (2015: US\$129 million), primarily generated from its subsidiaries in Philippines, Netherlands, Venezuela, and Haiti. Electoral Services constituted the main source of these revenues. The consolidated revenue for 2016 increased by \$67 million from 2015. The increase came as a result of electoral services and equipment lease of electoral machines being undertaken in Philippines. Total costs amounted to US\$108 million (2015: US\$59 million) resulting in a total gross profit of US\$88 million (2015: US\$70 million). Total profit after tax for the Group amounted to US\$13 million (2015: US\$11 million).

As at 31 December 2016 the Group has consolidated current assets of US\$184 million (2015: US\$253 million) and net assets of US\$178 million (2015: US\$156 million).

The 2017 financial outlook shows higher increased revenues, consistent with higher electoral activity taking place in the marketplace (primarily Venezuela, in other American and African countries and in some European countries such as Italy and the sale of machines in Philippines). New opportunities in other business lines are being pursued to help sustain the revenue growth in future years.

Review of operations

The Group has presence in 24 countries, with major operations in Philippines, Netherlands, Venezuela, and Haiti.

During 2016 the Group began operations in Colombia and completed some new projects in Uganda and Oman. Also during 2016 the Group continue to invest in new lines of businesses to enhance new business opportunities. These new lines are related to identity processes and air pollution.

The Group delivers technology to clients in key areas:

- Electronic and auditable voting systems
- Internet voting
- Intelligent and integrated security systems
- Identity registration and authentication of large population groups
- Public transportation systems
- Technology research and development, and consulting
- Deployment systems

Risks

The Company Directors review the capital structure of the Company on a regular basis and consider the cost of capital and the risks associated with each class of capital.

The Company faces currency and credit risks as it operates in countries with hyperinflation and others with currency restrictions.

Strategic report *(continued)*

Financial instruments

The financial instruments comprise borrowings, cash and liquid resources, and various items, such as trade receivables and trade payables that arise directly from its operations. The Group's operations expose it to a variety of financial risks including market price risk, credit risk and liquidity risk. Overall responsibility for the management of these risks is vested with management who monitor them on an ongoing basis.

Market price risk - the Group co-ordinates the handling of foreign exchange risk by creating natural hedges wherever possible.

Credit risk - the Group's client base is predominantly government authorities and the historical incidence of default is very low.

Liquidity risk - the Company maintains sufficient liquid assets ensuring debtors and creditors are actively monitored. There is an arrangement in place for funding from one of the Holding Companies (Smartmatic International Holding B.V.), if required.

Key Performance Indicators

The Group uses a range of key performance indicators (KPI's) to monitor performance and progress towards strategic objectives. The principal financial KPI's include year on year analysis of revenue, gross profit, EBITDA and profit for the year. The non-financial KPI's for the group include customer base growth, development and deployment of new or enhanced technologies, and diversification of products and services provided.

By order of the board



Antonio Jose Mugica Rivera
Director

London UK, 105 Piccadilly London W1J7NJ

12 July 2017

Directors' report

The Board of Directors present their directors' report and financial statements for the year ended 31 December 2016.

Dividend

The directors have declared and paid a final ordinary dividend in respect of the current financial year of US\$ nil (2015: nil).

Directors

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

Antonio Jose Mugica Rivero
Roger Alejandro Piñate Martinez
Sir Nigel Graham Knowles
David Anthony Giampaolo
Lord George Mark Malloch-Brown

Political Donations

Neither the Company nor any of its subsidiaries made any political donations during the year (2015: US\$ nil)

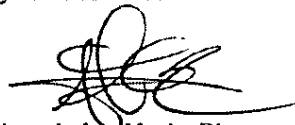
Disclosure of information to auditor

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

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



Antonio Jose Mugica Rivero
Director

105 Piccadilly, London, W1J 7NJ

{ 2 July 2017

Statement of directors' responsibilities in respect of the Strategic Report, Directors' Report and the financial statements

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

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

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



Independent auditor's report to the members of SGO Corporation Limited

We have audited the financial statements of SGO Corporation Limited for the year ended 31 December 2016 set out on pages 9 to 57. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) including FRS 101 *Reduced Disclosure Framework*.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

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 2016 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.



**Independent auditor's report to the members of SGO Corporation Limited
(continued)**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.

A handwritten signature in black ink, appearing to read 'R. M. Seale'.

Robert M Seale (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

12 July 2017

Consolidated Income Statement
for year ended 31 December 2016

	<i>Note</i>	2016 US\$000	Restated* 2015 US\$000
Revenue	3	195,743	129,222
Cost of sales		(107,946)	(59,116)
Gross profit		87,797	70,106
Operating expenses		(63,872)	(55,007)
Other income	4	3	1,746
Other expenses	4	(495)	(2,956)
Foreign exchange rate loss		(2,791)	(3,191)
Operating profit	5	20,642	10,698
Financial income	8	80	1,852
Financial expenses	8	(2,460)	(1,441)
Foreign exchange (loss) / gain		(306)	205
Net financing (expense) / income		(2,686)	616
Profit before tax		17,956	11,314
Taxation	9	(4,726)	(232)
Profit for the year		13,230	11,082
Attributable to:			
Equity holders of the parent		13,359	10,963
Non-controlling interest		(129)	119
Profit for the year		13,230	11,082

*See note 1.2 for details

The notes on pages 15 to 51 form an integral portion of these financial statements

Consolidated Statement of Comprehensive Income
for year ended 31 December 2016

	2016 US\$000	Restated* 2015 US\$000
Profit for the year	13,230	11,082
Other comprehensive income		
<i>Items that are or may be recycled subsequently to profit or loss:</i>		
Foreign currency translation differences	1,963	(8,133)
	<u>15,193</u>	<u>2,949</u>
Attributable to:		
Equity holders of the parent	15,322	2,830
Non-controlling interest	(129)	119
	<u>15,193</u>	<u>2,949</u>

*See note 1.2 for details

The notes on pages 15 to 51 form an integral portion of these financial statements

Consolidated Balance Sheet
at 31 December 2016

	<i>Note</i>	2016 US\$000	Restated 2015* US\$000
Non-current assets			
Property, plant and equipment	10	9,891	33,871
Intangible assets	11	5,844	3,911
Other financial assets	12	4,903	4,095
Investments in equity-accounted investees	13	-	1,262
Trade and other receivables	17	13,068	11,571
Deferred tax assets	15	6,352	6,821
		<u>40,058</u>	<u>61,531</u>
Current assets			
Inventories	16	6,582	3,427
Trade and other receivables	17	120,668	153,493
Income tax receivables		4,356	5,413
Cash and cash equivalents	18	35,049	90,525
Non-current assets held for sale	19	17,659	-
		<u>184,314</u>	<u>252,858</u>
Total assets		<u><u>224,372</u></u>	<u><u>314,389</u></u>
Current liabilities			
Other interest-bearing loans and borrowings	20	1,374	3,693
Trade and other payables	21	31,906	81,009
Deferred revenue	23	3,459	64,604
Income tax payable		4,290	120
		<u>41,029</u>	<u>149,426</u>
Non-current liabilities			
Deferred tax liabilities	15	3,199	5,763
Other interest-bearing loans and borrowings	20	1,892	2,565
		<u>5,091</u>	<u>8,328</u>
Total liabilities		<u><u>46,120</u></u>	<u><u>157,754</u></u>
Net assets		<u><u>178,252</u></u>	<u><u>156,635</u></u>

Consolidated Balance Sheet (continued)

	<i>Note</i>	2016 US\$000	Restated* 2015 US\$000
Equity attributable to equity holders of the parent			
Share capital	24	-	-
Share premium		12,255	12,255
Share based payment reserves		16,524	11,047
Translation reserves		(61,542)	(63,505)
Retained earnings		209,993	196,615
		<hr/>	<hr/>
Non-controlling interest		1,022	223
		<hr/>	<hr/>
Total equity		178,252	156,635
		<hr/>	<hr/>

The notes on pages 15 to 51 form an integral portion of these financial statements

*See note 1.2 for details

These financial statements were approved by the board of directors on 11 July 2017 and were signed on its behalf by:



Antonio José Mugica Rivero
Director

Company registration number 07477910

Consolidated Statement of Changes in Equity
for year ended 31 December 2016

	Share capital US\$000	Share premium US\$000	Translation reserve US\$000	Share based payments reserve US\$000	Retained earnings US\$000	Total parent equity US\$000	Non-controlling interest US\$000	Total equity US\$000
Balance at 31 December 2014	-	12,255	(55,372)	10,933	185,765	153,581	104	153,685
Total comprehensive income								
Profit or loss RESTATED	-	-	-	-	10,963	10,963	119	11,082
Foreign currency translation differences	-	-	(8,133)	-	-	(8,133)	-	(8,133)
Total comprehensive income for the period RESTATED	-	-	(8,133)	-	10,963	2,830	119	2,949
Other equity movement	-	-	-	-	(113)	(113)	-	(113)
Equity-settled share based payment transactions	-	-	-	114	-	114	-	114
Balance at 31 December 2015 RESTATED	-	12,255	(63,505)	11,047	196,615	156,412	223	156,635
Total comprehensive income								
Profit or loss	-	-	-	-	13,359	13,359	(129)	13,230
Foreign currency translation differences	-	-	1,963	-	-	1,963	-	1,963
Total comprehensive income for the period	-	-	1,963	-	13,359	15,322	(129)	15,193
Other equity movement	-	-	-	-	19	19	928	947
Equity-settled share based payment transactions	-	-	-	5,477	-	5,477	-	5,477
Balance at 31 December 2016	-	12,255	(61,542)	16,524	209,993	177,230	1,022	178,252

The notes on pages 15 to 51 form an integral portion of these financial statements

Consolidated Cash Flow Statement
for year ended 31 December 2016

	Note	2016 US\$000	Restated 2015* US\$000
Cash flows from operating activities			
Profit for the year		13,230	11,082
Adjustments for:			
Depreciation, amortisation and impairment	5	33,525	2,952
Bad debts allowance	5	810	276
Unrealised foreign exchange movements		10,164	(6,743)
Reversal of bad debts allowance	5	(1,959)	-
Loss on translation of deferred tax assets	15	(1,627)	1,875
Equity settled share-based payment expenses	22	5,477	114
Taxation	9	4,726	232
Finance income	8	(80)	(1,852)
Finance expense	8	2,460	736
Loss on disposal of financial asset		-	705
Decrease / (increase) in trade and other receivables	17	28,814	(69,198)
(Increase) / decrease in inventories	16	(3,155)	181
(Decrease) / increase in trade and other payables	21	(48,479)	20,660
(Decrease) / increase in deferred revenue	23	(61,145)	51,063
Interest paid	8	(520)	(736)
Tax paid		(31)	(3,715)
Net cash from operating activities		(17,790)	7,632
Cash flows from investing activities			
Acquisition of property, plant and equipment	10	(32,981)	(25,345)
Acquisition of other intangible assets	11	(3,055)	(1,166)
Elimination of investment in subsidiary	13	1,262	-
Acquisition of other financial assets	12	-	(1,655)
Proceed from other financial assets	12	-	4,095
Interest received	8	80	381
Net cash from investing activities		(34,694)	(23,690)
Cash flows from financing activities			
Repayment of borrowings	20	(673)	(676)
(Decrease) / increase in promissory notes	20	(2,319)	3,020
Net cash from financing activities		(2,992)	2,344
Net decrease in cash and cash equivalents		(55,476)	(13,714)
Cash and cash equivalents at 1 January	18	90,525	104,239
Cash and cash equivalents at 31 December	18	35,049	90,525

*See note 1.2 for details

The notes on pages 15 to 51 form an integral portion of these financial statements

Notes to the consolidated financial statements (forming part of the financial statements)

1 Accounting policies

1.1 Basis of preparation

SGO Corporation Limited (the 'Company') is a company incorporated in the United Kingdom. SGO Corporation Limited's registered office is 6th Floor, 105 Piccadilly, London, W1J 7NJ.

The group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group") for the year ended 31 December 2016. This privately owned multinational group designs and deploys end-to-end custom technology solutions to enable government agencies and large enterprises to fulfil their missions.

The group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs").

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

1.2 Change in accounting policy

In these financial statements the Group has changed its accounting policies in the following area:

IAS 38 Intangible Assets

The Group previously expenses development expenditure but has now changed its accounting policy to capitalise development expenditure. This change in accounting policy has been adopted as the Directors believe that this policy is more relevant and reliable, as it provides a true reflection of the business and the future value of this expenditure.

The following tables summaries the impacts on the Group's financial statements.

Consolidated Income Statement

Year ended 31 December 2015	Previously reported (\$000)	Adjustments (\$000)	Restated (\$000)
Operating expenses	(55,673)	666	(55,007)
Profit before tax	10,648	666	11,314

Consolidated Balance Sheet

Year ended 31 December 2015	Previously reported (\$000)	Adjustments (\$000)	Restated (\$000)
Intangibles	3,245	666	3,911
Net Assets	155,969	666	156,635

Notes to the consolidated financial statements *(continued)*

1 Accounting policies *(continued)*

1.3 Measurement convention

The financial statements are prepared on the historical cost basis except for certain assets and liabilities that are stated at their fair value, as explained in the accounting policies below.

The Venezuelan subsidiaries Tecnología Smartmatic de Venezuela, C.A., Integradora Venezolana de Tecnología y Automatizaciones and Smartmatic Labs, C.A. report their financial statements in the currency of a hyperinflationary economy. In accordance with IAS 29 Financial Reporting in Hyperinflationary Economies, the financial statements of those subsidiaries were restated by applying a general price index and translated at closing rates (DICOM) before they were included in the consolidated financial statements.

1.4 Going concern

Having reviewed the Group's current trading and forecasts, together with sensitivities and mitigating factors and the available facilities, the Board has reasonable expectations that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Board continues to adopt the going concern basis in preparing these financial statements.

1.5 Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Joint Operations

The Group has applied IFRS 11 to all joint arrangements as of 1 January 2014. The Group identifies joint arrangements as those arrangements in which two or more parties have joint control, where joint control is evidenced by the contractually agreed sharing of control of an arrangement, which exists where the decisions about the relevant activities require the unanimous consent of the parties sharing control.

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor.

Joint operations are identified as those agreements whereby the parties have rights to the assets and obligations for liabilities relating to the arrangement. Joint operations are accounted for by recognising the operator's relevant share of assets, liabilities, revenues and expenses.

Notes to the consolidated financial statements *(continued)*

1 Accounting policies *(continued)*

1.5 Basis of consolidation *(continued)*

Joint Operations (continued)

Joint ventures are identified as those agreements whereby the parties have rights to the net assets of the arrangement and are accounted for using equity accounting in accordance with IAS 28. Interest in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

The Group has assessed the nature of its joint arrangements and determined them to be joint operations. The Group's share of the assets, liabilities, income and expenses of jointly controlled entities is combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

There has been no impact of the adoption of IFRS 11 on the financial position, comprehensive income and the cash flows of the Group in any of the periods reported.

Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group has the power to participate in an entity's financial and operating policy decisions, but it is not in control or hold joint control of those policies.

Application of the equity method to associates

Associates are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the total comprehensive income and equity movements of equity accounted investees, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an investee.

1.6 Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Gains and losses on translation arising from the group operations are recorded within operating profits, those which arise from the group financial structure have been recorded as a gain or loss within the group's net financing income and expenses.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency (USD) at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the translation reserve or non-controlling interest, as the case may be. When a foreign operation is disposed of, such that control, joint control or significant influence (as the case may be) is lost, the entire accumulated amount in the translation reserve, net of amounts previously attributed to non-controlling interests, is recycled to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while still retaining control, the relevant proportion of the accumulated amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while still retaining significant influence or joint control, the relevant proportion of the cumulative amount is recycled to profit or loss.

Notes to the consolidated financial statements (continued)

1 Accounting policies (continued)

1.6 Foreign currency (continued)

On 10 February 2015, the Venezuelan government announced that The SICAD II regulated auction system was being suspended and from 12 February 2015, a new foreign exchange mechanism, the Foreign Exchange Marginal System or SIMADI, would be introduced. The stated intention was that rates under SIMADI should better reflect supply of and demand for foreign currency.

In the prior year, the Group elected to adopt the SICAD II rate as the basis in which to translate foreign currency transactions for entities located in Venezuela and financial statements of foreign operations located in Venezuela with a VEB functional currency. The Group has elected to adopt the SIMADI rate for the year ended 31 December 2015 on the basis that this is the rate which reflects the economic situation in which the Group operates in Venezuela. The rate applicable as at 31 December 2015 was 200 VEB to the USD (2014: 50 VEB) and the average across the year was 179 VEB (2014: 41 VEB).

On 9 March 2016, the National Government and the BCV, entered into Exchange Agreement N° 35, which establishes the new provisions that will regulate the operations of the foreign currency regime. Such agreement will be effective as of 10 March 2016. It eliminates SICAD and SIMADI and creates a dual exchange system that will consist of two new exchange rates for the purchase or sale of foreign currencies (a) The protected exchange rate (DIPRO, for its Spanish acronym) and (b) The market's supplementary floating exchange rate (DICOM, for its Spanish acronym). Dipro's exchange rate was fixed in 9,975 VEB per USD\$1 for the purchase and 10 VEB per USD\$1 for the sale. Dicom's exchange rate began at 215 VEB per USD\$1 (SIMADI's exchange rate at 10 March 2016). SIMADI will continued functioning until substitution within a maximum term of 30 days. Until then, Dicom's exchange rate was the same as SIMADI's exchange rate published by the Central Bank of Venezuela on a daily basis. As the Company operations were not covered by Exchange Agreement N° 35, it will be processed through alternative foreign currency markets regulated by the exchanges laws, at Dicom's exchange rate. At 31 December 2016, SIMADI's (DICOM'S) exchange rate was 674 VEB per US\$1 and the average rate across the year was 672 VEB.

When the functional currency of a foreign operation is the currency of a hyperinflationary economy, all assets, liabilities, equity items, income and expenses are translated using an official exchange rate prevailing at the end of each reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

At the date of presentation of the financial statements at 31 December 2016 and for the year then ended, no official information relating to the National Consumer Price Index ("NCPI") from January to December was available, as they have not been published by the BCV. Therefore, the NCPI at 31 December 2016 and from January to November 2016, used by the Company following the guidelines established in communications issued by the Venezuelan Federation of Public Accountants (FCCPV), have been determined by external and independent professionals of the Company, who are in charge of updating the information on a monthly basis based on the same methodology. Regarding the official 2016 NCPI the BCV might publish in the future, the impact of this estimate on the Company's financial statements at 31 December 2016 and for the year then ended is not expected to be significant and should any difference arise, they will be corrected in the financial statements of the next economic period. Below are the monthly index used and also the monthly and yearly variance.

	NCPI		
	INDEX	Monthly variance	Yearly variance
	2016		
January	2,576	9.3%	184.7%
February	2,776	7.8%	192.5%
March	3,131	12.8%	213.1%
April	3,440	9.9%	223.4%
May	3,938	14.5%	242.8%
June	4,751	20.6%	276.6%
July	5,705	20.1%	308.3%
August	6,847	20.0%	336.0%
September	7,203	5.2%	311.2%
October	7,882	9.4%	304.0%
November	9,143	16.0%	321.7%
December	11,154	22.0%	373.1%

Source: Ecoanalítica

Notes to the consolidated financial statements *(continued)*

1 Accounting policies *(continued)*

1.7 Classification of financial instruments issued by the Group

Following the adoption of IAS 32, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the company (or group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company (or group); and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy.

1.8 Non-derivative financial instruments

Recognition of financial assets and financial liabilities

Financial assets and financial liabilities are recognised on the Group's Balance Sheet when the Group becomes a party to the contractual provisions of the instrument.

Derecognition of financial assets and financial liabilities

The Group derecognises a financial asset only when the contractual rights to cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for the amount it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. The Group derecognises financial liabilities when the Group's obligations are discharged, cancelled or expired.

Financial assets

Trade and other receivables

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost less any provision for impairment.

Cash and cash equivalents

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

Available for sale financial assets

Available for sale financial assets include non-derivative financial assets that are either designated as such or do not qualify for inclusion in any of the other categories of financial assets. Investments are recorded at cost. Any other financial assets within this category are measured subsequently at fair value, with changes in value recognised in equity, through other comprehensive income. Gains and losses arising from investments classified as available for sale are recognised in the consolidated statement of comprehensive income when they are sold or when the investment is impaired. In the case of impairment of available for sale assets, any loss previously recognised in equity is transferred to the consolidated statement of comprehensive income. Impairment losses recognised in the consolidated statement of comprehensive income on equity instruments are not reversed through the consolidated statement of comprehensive income.

Notes to the consolidated financial statements *(continued)*

1 Accounting policies *(continued)*

1.8 Non-derivative financial instruments *(continued)*

Financial liabilities

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Financial liabilities

Other financial liabilities are classified according to the substance of the contractual arrangements entered into.

Equity instruments

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 recognised at the proceeds received, net of direct issue costs.

The costs of an equity transaction are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that would otherwise have been avoided.

1.9 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

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

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

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land and assets under construction are not depreciated. The estimated useful lives are as follows:

Commercial office units and improvements	30 years
Equipment	3 - 5 years
Leasehold improvements	3 years
Furniture and fittings	3 - 10 years
Vehicles	3 - 5 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Notes to the consolidated financial statements *(continued)*

1 Accounting policies *(continued)*

1.10 Acquisitions and disposals of non-controlling interests

Acquisitions and disposals of non-controlling interests that do not result in a change of control are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. Any difference between the price paid or received and the amount by which non-controlling interests are adjusted is recognised directly in equity and attributed to the owners of the parent.

Prior to the adoption of IAS 27 (2008), goodwill was recognised on the acquisition of non-controlling interests in a subsidiary, which represented the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of the transaction.

1.11 Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses.

Software which is not integral to a related item of hardware are also recognised as intangible assets. Capitalised internal-use software include external direct costs of materials and services consumed in the development or purchase, use of dedicated contractors, and payroll and related costs for employees who are directly associated with or who devote substantial time to the project. Capitalisation of these costs ceases when the project is substantially complete and ready for its internal purpose. These costs are amortised over their expected useful life deemed to be three to five years once the asset is put into use.

Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses. The policies applied to the Group's Intangible assets are summarised as follows:

- Acquired Anoto IP – Straight line basis with a maximum life of 4 years, with no residual value.

1.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition. Obsolete, defective or slow-moving inventories have been written down to estimated net realisable value. The recoverable amount of inventory is calculated based on inventory age and turnover.

Notes to the consolidated financial statements (continued)

1 Accounting policies (continued)

1.13 Impairment excluding inventories and deferred tax assets

Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes to the consolidated financial statements (continued)

1 Accounting policies (continued)

1.14 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or incentive plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share-based payment transactions

Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Group.

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Where the Company's parent grants rights to its equity instruments to the Group's or the Company's employees, which are accounted for as equity-settled in the consolidated accounts of the parent, the Group or the Company as the case may be account for these share-based payments as equity-settled.

1.15 Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products, at the management best estimate of the expenditure required to settle the Group's obligation.

1.16 Pre-contract costs

Where the group incurs significant costs related to a contract before the contract commences these are recognised within receivables as pre contract costs. Such costs are only capitalised if they are necessary to both render and improve the future service to the client and relating to future activity on the contract. These costs are then expensed through the income statement over the life of the contract that these costs relate to.

Notes to the consolidated financial statements (continued)

1 Accounting policies (continued)

1.17 Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- Fees are recognized by reference to the stage of completion, determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period;
- Servicing fees included in the price of products sold are recognised by reference to the proportion of the total cost of providing the servicing for the product sold; and
- Revenue from time and material contracts is recognised at the contractual rates as labour hours and direct expenses are incurred.

Leasing of equipment

Revenue from the leasing of equipment is recognised evenly over the period of the lease. Leased items are held in property, plant and equipment during the period of the lease and depreciated. The lease period is deemed to have commence from the point at which the lessee has the right to access the leased equipment.

1.18 Expenses

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Finance lease payments

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

Financing income and expenses

Financing expenses comprise interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the

Notes to the consolidated financial statements *(continued)*

1 Accounting policies *(continued)*

1.18 Expenses *(continued)*

Financing income and expenses (continued)

cost of that asset. Financing income comprise interest receivable on funds invested, dividend income, and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Research and development

Research is expense as the costs are incurred. Where the expenditure reaches the requirements for IAS 38 for development the amounts are capitalised as an intangible asset.

1.19 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1.20 Non-current assets held for sale and discontinued operations

A non-current asset or a group of assets containing a non-current asset (a disposal group) is classified as held for sale if its carrying amount will be recovered principally through sale rather than through continuing use, it is available for immediate sale and sale is highly probable within one year.

On initial classification as held for sale, non-current assets and disposal groups are measured at the lower of previous carrying amount and fair value less costs to sell with any adjustments taken to profit or loss. The same applies to gains and losses on subsequent re-measurement although gains are not recognised in excess of any cumulative impairment loss. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the Group's accounting policies. Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is restated as if the operation has been discontinued from the start of the comparative period.

Notes to the consolidated financial statements (continued)

1 Accounting policies (continued)

1.21 Adopted IFRS not yet applied

At the date of authorisation of the financial statements, the following Standards and Interpretations which have not been applied in the financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 9	<i>Financial instruments</i>
IFRS 15	<i>Revenue from contracts with customers</i>
IFRS 16	<i>Leases</i>
Amendments to IAS 12	<i>Recognition of deferred tax assets or unrealised losses</i>

The Directors are considering the impact of these newly issued standards upon the results of the Group.

2 Accounting estimates and judgements

In the application of the Group's accounting policies, which are described in Note 1, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments and key sources of estimation uncertainty, apart from those that the management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements:

- a. Revenue recognition.
- b. Foreign currency transactions.
- c. Impairment of Non-current assets.
- d. Deferred taxes.
- e. Impairment of trade receivables

Notes to the consolidated financial statements (continued)

3 Revenue

	2016	2015
	US\$000	US\$000
Sale of goods	13,774	14,983
Rendering of services	75,957	113,097
Lease Revenue	106,012	1,142
	<u> </u>	<u> </u>
Total revenue	<u>195,743</u>	<u>129,222</u>

4 Other income and expense

	2016	2015
	US\$000	US\$000
Other income	3	1,746
	<u> </u>	<u> </u>

For 2015 significant items within other income relate to the reversal of a provision for tax on negative equity which is charged in Venezuela for companies with negative equity.

	2016	2015
	US\$000	US\$000
Other expense	495	2,956
	<u> </u>	<u> </u>

For 2015 significant items within other expenses relates to VAT reversals amounting to US\$522,000.

Notes to the consolidated financial statements (continued)

5 Expenses and auditor's remuneration

Included in operating profit are the following (credits)/expenses:

	2016 US\$000	Restated 2015 US\$000
Impairment reversal trade receivables (see note 25)	(1,959)	(1,436)
Impairment of trade receivables (see note 25)	810	276
Depreciation expense	32,089	2,106
Amortisation expense	1,122	478
Pre-contract costs amortisation expense	314	314
Operating lease expense	1,694	1,758
Research and development expenditure	1,550	23

Auditor's remuneration:

	2016 US\$000	2015 US\$000
Audit of these financial statements	28	26

Amounts receivable by the company's auditor and its associates in respect of:

Audit of financial statements of subsidiaries of the company	642	930
Tax advisory and compliance services	379	716

In addition to the audit fees payable to KPMG LLP and its associates, certain Group subsidiaries are audited by other firms. Fees payable to those firms amounts to \$49,000 (2015: \$62,000). Total fees paid or payable to all of the group auditors for audit and other services amounts to \$1.098m (2015: \$1.734m).

6 Staff numbers and costs

The average number of persons employed by the group (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2016	2015
Number of employees	479	480

The aggregate payroll costs of these persons were as follows:

	US\$000	US\$000
Wages and salaries	21,248	17,828
Share based payments (See note 22)	5,477	114
Social security costs	3,554	4,121
Contributions to defined contribution plans	189	180
	30,468	22,243

Notes to the non-statutory consolidated financial statements (continued)

7 Directors' remuneration

	2016	2015
	\$000	\$000
Remuneration paid to or receivable by directors in respect of qualifying services	942	941
Share based payments (refer to note 22)	5,058	16
	<u>6,000</u>	<u>957</u>

The total remuneration and amounts receivable under long term incentive schemes of the highest paid director was \$5,147,000 (2015: \$356,000).

8 Finance income and expense

	2016 US\$000	2015 US\$000
Finance income		
Interest income	80	381
Gain on monetary position	-	1,471
	<u>80</u>	<u>1,852</u>
Total finance income	<u>80</u>	<u>1,852</u>
	2016 US\$000	2015 US\$000
Finance expense		
Total interest expense on financial liabilities measured at amortised cost	520	736
Loss on monetary position	1,940	-
Loss on disposal of other financial asset	-	705
	<u>2,460</u>	<u>1,441</u>
Total finance expense	<u>2,460</u>	<u>1,441</u>

The Group has entities domiciled in the Bolivarian Republic of Venezuela, which is classified as a hyperinflationary economy. The functional currency of these entities is the Bolivar, and with this currency being exposed to a hyperinflationary economy, it generates gains/losses for exposure to inflation, which has been classified as financial income or expense (monetary position).

Notes to the consolidated financial statements (continued)

9 Taxation

Recognised in the income statement

	2016 US\$000	2015 US\$000
<i>Current tax expense</i>		
Current year	(4,617)	(833)
Adjustments for prior years	(579)	(227)
Current tax expense	(5,196)	(1,060)
<i>Deferred tax expense</i>		
Origination and reversal of temporary differences	(5,014)	314
Recognition of previously unrecognised tax losses	5,407	514
Rate Change	77	-
Deferred tax credit	470	828
Total tax expense	(4,726)	(232)

Reconciliation of effective tax rate

	2016 US\$000	2015 US\$000
Profit before tax	17,956	11,314
Income tax expense calculated at 20% (2014: 20.25%)	3,591	2,291
Effect of expenses that are not deductible in determining taxable profit	(3,641)	(21,432)
Effect of different tax rates of subsidiaries operating in other jurisdictions	6,973	(355)
Effect of tax losses not recognised as deferred tax assets	2,482	16,291
Timing differences not recognised for deferred tax purposes	862	3,175
Effect of different exchange rates translation on subsidiaries	(3,054)	4,309
Effect of prior year adjustments	579	227
Unrecognised deferred tax now recognised	(2,989)	(4,274)
Effect of changes in tax rates	(77)	-
Total tax expense	4,726	232

The tax rate used for the 2016 reconciliation above is the corporate tax rate of 20% payable by corporate entities in the UK on taxable profits under tax law in that jurisdiction. The 2015 reconciliation is based on the corporate tax rate of 20.25%.

Notes to the consolidated financial statements (continued)

10 Property, plant and equipment

	Commercial office units and improvements US\$000	Equipment US\$000	Leasehold improvements US\$000	Vehicles US\$000	Furniture and fixtures US\$000	Under construction US\$000	Total US\$000
Cost							
Balance at 1 January 2015	9,174	3,644	4,133	99	1,148	7	18,205
Additions	-	5,070	-	154	62	20,059	25,345
Disposals	-	(1,097)	(414)	(16)	(204)	-	(1,731)
Effect of movements in foreign exchange	-	(545)	(512)	119	(173)	(81)	(1,192)
Balance at 31 December 2015 & 1 January 2016	9,174	7,072	3,207	356	833	19,985	40,627
Additions	-	32,942	16	-	-	23	32,981
Reclassifications	-	19,986	-	-	-	(19,986)	-
Disposals	-	(8,169)	-	-	-	-	(8,169)
Transfers to Assets Held for Sale	-	(49,070)	-	-	-	-	(49,070)
Effect of movements in foreign exchange	-	1,801	(155)	130	128	1	1,905
Balance at 31 December 2016	9,174	4,562	3,068	486	961	23	18,274
Depreciation and impairment							
Balance at 1 January 2015	(1,322)	(3,329)	(1,437)	(90)	(1,033)	-	(7,211)
Depreciation charge for the year	(240)	(1,566)	(230)	(10)	(114)	-	(2,160)
Disposals	-	1,097	414	16	204	-	1,731
Effect of movements in foreign exchange	-	841	(128)	(90)	261	-	884
Balance at 31 December 2015 & 1 January 2016	(1,562)	(2,957)	(1,381)	(174)	(682)	-	(6,756)
Depreciation charge for the year	(306)	(31,366)	(323)	(16)	(78)	-	(32,089)
Transfers to Assets Held for Sale	-	31,411	-	-	-	-	31,411
Effect of movements in foreign exchange	-	(231)	(455)	(136)	(127)	-	(949)
Balance at 31 December 2016	(1,868)	(3,143)	(2,159)	(326)	(887)	-	(8,383)

Net book value At 1 January 2015	Commercial office units and improvements		Leasehold improvements		Vehicles		Furniture and fixtures		Under construction		Total	
	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000
	7,852	315	2,696	9	115	7					10,994	
At 31 December 2015 and 1 January 2016	7,612	4,115	1,826	182	151	19,985					33,871	
At 31 December 2016	7,306	1,419	909	160	74	23					9,891	

Commercial office units with a carrying amount of approximately US\$ 6,750,000 have been pledged to secure borrowings of the Group under a mortgage up to US\$ 8,639,000 (Note 18). The Group is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

Notes to the consolidated financial statements (continued)

11 Intangible assets

	Patents and trade- marks US\$000	Software US\$000	Total US\$000
Cost			
Balance at 1 January 2015	4,423	-	4,423
Additions (restated)	500	666	1,166
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2015 and 1 January 2016 (restated)	4,923	666	5,589
	<hr/>	<hr/>	<hr/>
Additions	968	2,087	3,055
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2016	5,891	2,753	8,644
	<hr/>	<hr/>	<hr/>
Amortisation and impairment			
Balance at 1 January 2015	(1,200)	-	(1,200)
Amortisation for the year	(478)	-	(478)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2015 and 1 January 2016	(1,678)	-	(1,678)
	<hr/>	<hr/>	<hr/>
Amortisation for the year	(1,122)	-	(1,122)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2016	(2,800)	-	(2,800)
	<hr/>	<hr/>	<hr/>
Net book value			
At 1 January 2015	3,223	-	3,223
	<hr/>	<hr/>	<hr/>
At 31 December 2015 and 1 January 2016	3,245	666	3,911
	<hr/>	<hr/>	<hr/>
At 31 December 2016	3,091	2,753	5,844
	<hr/>	<hr/>	<hr/>

The amortisation charge is recognised in other operating expenses in the income statement.

During 2015 the group acquired a licence for the usage of digital pens from Anoto for \$500,000. In 2016 the Group purchased additional license from Anoto for US\$968,000. These licenses are being amortised for a period of three years.

During 2014, the Group entered into an agreement for the purchase of intellectual property relating to a lottery ticket scanner at a cost of US\$2,000,000. Amortisation of the intellectual property commenced in October 2015 when it was available for use.

For 2016 the Company choose revise its accounting policy in respect to the capitalisation of intangibles to better reflect the business results and strategy. This resulted in costs which had been expensed, which related to the development of new platforms and products, have now been capitalised. As at 31 December 2016 \$2,953,000 (2015: \$666,000) of development costs have been capitalised. These items are not yet use and so no amortisation charge has been incurred.

As per note 1.2, intangibles have been restated and additions of \$666,000 have been included for 2015.

Notes to the consolidated financial statements (continued)

12 Other financial assets

	2016 US\$000	2015 US\$000
Non-current		
Available for sale financial assets	4,903	4,095

The non-current available for sale financial assets held during the year by the Group was Infuser ApS.

Infuser ApS

On 7 April 2014, the Group acquired 33% of the share capital of Infuser ApS ("Infuser"), a legal entity registered in Denmark. While the Group holds 33% of the Company's share capital, it does not participate in the Company's financial and operating policy decisions, does not control or have joint control in any capacity. On 24 November 2016, the group increased the value of its investment in Infuser. This was matched by the other shareholders and so the value of the Group's share of Infuser remained at 33%. On this basis the Group has deemed it does not hold significant influence and therefore accounted for this investment as an available for sale financial investment (this has been classified as a level 2 financial instrument as per note 25).

Notes to the non-statutory consolidated financial statements (continued)

13 Investments in joint arrangements

	2016 US\$000	2015 US\$000
Consortio Smartitec	-	1,262

In 2015 the Group entered into a consortium agreement with Engetec Tecnologia, S.A. The terms of this agreement created a Joint Venture Agreement ('JVA') between Smartmatic Brazil and Engetec Tecnologia, S.A., with each partner holding a 50 per cent interest. The JVA established an agreed sharing of control with decisions about the relevant activities requiring the unanimous consent of Smartmatic Brazil and Engetec Tecnologia, S.A. The parties have rights to the assets and obligations for liabilities relating to the arrangement and the JVA has, therefore, been accounted for as a joint operation recognising the Group's relevant share of assets, liabilities, revenues and expenses as appropriate. The Smartitec JVA combined interests in the consortium under the name of Consortio Smartitec is to provide services to the Tribunal Superior Electoral (TSE) in Brazil. The joint arrangement was closed in 2016.

The following tables summarise the financial information of the joint operation as included in their own financial statements, adjusted for differences in accounting policies.

Summarised statement of financial position

	2016 US\$000	2015 US\$000
Current assets	-	2,825
Current liabilities	-	(301)
Net assets (100%)	-	2,524
Groups portion of ownership	50%	50%
Carrying amount of Investment in Joint Venture	-	1,262

Summarised statement of Profit and Loss

	2016 US\$000	2015 US\$000
Sales	-	-
Cost of sales including finance costs	-	-
Profit for the period (100%)	-	-
Groups portion of ownership	50%	50%
Share of profit of equity-accounted investees	-	-

Notes to the consolidated financial statements (continued)

14 Investments in subsidiaries controlled entities

The Group has the following investments in subsidiaries, controlled entities:

Group Subsidiary	Registered address	Class of shares held	Ownership 2016 2015	
Smartmatic International Holding B.V.*	Gustav Mahlerplein 25C, 1082 MS Amsterdam, The Netherlands	Ordinary	100%	100%
Smartmatic Elections UK * *	105 Piccadilly, London, W1J 7NJ, United Kingdom	Ordinary	100%	100%
Hisoft Limited	Unit 1001, 10/F, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong	Ordinary	100%	100%
E-Vote UK Limited*	105 Piccadilly, London, W1J 7NJ, United Kingdom	Ordinary	100%	100%
Airlabs Limited*	105 Piccadilly, London, W1J 7NJ, United Kingdom	Ordinary	100%	100%
Your.Id Limited*	105 Piccadilly, London, W1J 7NJ, United Kingdom	Ordinary	100%	100%
E-Vote USA Corporation	Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle, Delaware 19801, USA	Ordinary	100%	100%
Airlabs B.V (formerly Air B.V.)	Gustav Mahlerplein 25C, 1082 MS Amsterdam, The Netherlands	Ordinary	100%	100%
Air Denmark, filial of Air BV	c/o Citco (Denmark) ApS, Holbergsgade 14, Denmark	Ordinary	100%	100%
Smartmatic UK Limited* *	105 Piccadilly, London, W1J 7NJ, United Kingdom	Ordinary	100%	100%
Smartmatic of Haiti, S.A.	#7, Rue Lechaud, Bourdon, Port au Prince, Haiti	Ordinary	100%	100%
Smartmatic Philippines, Inc.	16th floor, Accralaw Tower, Second Avenue Corner 30th Street, Crescent Park West, Bonifacio Global City, 0399 Taguig Metro Manila, Philippines	Ordinary	100%	100%
Smartmatic Middle East	Executive Office No 30, Building 16 Ground Floor, Dubai, UAE	Ordinary	100%	100%
Consortio COLCARD de Recaudo y Gestion de Flotas de Transporte Público (non-incorporated)	Pie de la Popa, Carrera 21, #30-46, Cartagena de Indias, Colombia	Ordinary	60%	70%
Smartmatic Belgium SPRL	8th Floor, Rue Belliar 4/6, 1040, Brussels, Belgium	Ordinary	100%	100%
Smartmatic USA Corporation	160 Greentree Drive, Suite 101, City of Dover, County of Kent, Delaware, USA	Ordinary	100%	100%
Smartmatic Solutions Corporation OP	Pine Lodge, #26 Pine Road, St. Michael, Barbados, W.I. BB 11112	Ordinary	100%	100%
Albatross Technologies Corporation	Pine Lodge, #26 Pine Road, St. Michael, Barbados, W.I. BB 11112	Ordinary	100%	100%
Smartmatic Asia Pacific Limited	Unit 1001, 10/F., Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong.	Ordinary	100%	100%
Smartmatic Mauritius	Citco (Mauritius) Limited, 4th Floor, Tower A, 1 Cybercity, Ebene, Mauritius	Ordinary	100%	100%
Smartmatic Africa	Citco (Mauritius) Limited, 4th Floor, Tower A, 1 Cybercity, Ebene, Mauritius	Ordinary	51%	51%
Smartmatic South Africa	Ground Floor Stadium Building, Lion Match Office Park, Umgeni Road, Durban, South Africa	Ordinary	51%	51%
Integradora Venezolana de Tecnologia y Automatizacion (INVENTA, C.A.)	Centro Banaven, (Cubo Negro), Torre C, Piso 6, Avenida La Estancia, Chuao, Caracas 1060 - RB Venezuela.	Ordinary	100%	100%
Smartmatic Netherlands B.V.	Gustav Mahlerplein 25C, 1082 MS Amsterdam, The Netherlands	Ordinary	100%	100%
Smartmatic Mexico, S.A. de C.V.	Berna No. 6, Piso 6, Colonia Juarez, Delegacion Cuauhtemoc, Distrito Federal, CP 06600	Ordinary	100%	100%
Smartmatic Ecuador, S.A.	Coop Union y Progreso Mz B, Numero 3, Guayaquil, Ecuador.	Ordinary	96%	96%
Smartmatic India, Pvt Ltd.	505A, 5th floor, D-4, Rectangle 1, District Center, Saket, New Delhi -110017	Ordinary	100%	100%

Notes to the consolidated financial statements (continued)

14 Investments in subsidiaries controlled entities (continued)		Class of shares held	Ownership	
Group Subsidiary	Registered address		2016	2015
Smartmatic Biometrics India (Former APR Biometric ID Services, Pvt Ltd.)	505A ,5th floor, D-4, Rectangle 1, District Center, Saket, New Delhi - 110017	Ordinary	100%	100%
Smartmatic Brazil LTDA (Branch Ilheus)	Coop Union y Progreso Mz B, Numero 3, Guayaquil, Ecuador.	Ordinary	100%	100%
Smartmatic Elecciones de Mexico S.A de C.V.	Berna No. 6, Piso 6, Colonia Juarez, Delegacion Cuauhtemoc, Distrito Federal, CP 06600	Ordinary	60%	60%
SC Centre of Excellence for Internet Voting OU	Ülikool tn 2, Tartu city, Tarty County, 51003, Estonia	Ordinary	60%	60%
Smartmatic Project Management Corporation	Pine Lodge, #26 Pine Road, St. Michael, Barbados, W.I. BB 11112	Ordinary	100%	100%
Smartmatic Project EP	C, Piso 6, Avenida La Estancia, Chuao, Caracas 1060 - RB Venezuela	Ordinary	100%	100%
Smartmatic Latam Corporation	Pine Lodge, #26 Pine Road, St. Michael, Barbados, W.I. BB 11112	Ordinary	100%	100%
Smartmatic Optics Corporation	Pine Lodge, #26 Pine Road, St. Michael, Barbados, W.I. BB 11112	Ordinary	100%	100%
Smartmatic Panama, S. A.	Torre de las Americas, Torre A, Piso 19, calles Punta Darien y Punta Coronado, Urb. Punta Pacifica, Distrito Panama, Republica de Panama	Ordinary	100%	100%
HiSoft Panama, S.A	Torre de las Americas, Torre A, Piso 19, calles Punta Darien y Punta Coronado, Urb. Punta Pacifica, Distrito Panama, Republica de Panama	Ordinary	100%	100%
Tecnologia Smartmatic de Venezuela, C. A.	C, Piso 6, Avenida La Estancia, Chuao, Caracas 1060 - RB Venezuela	Ordinary	100%	100%
Smartmatic Labs, C.A	C, Piso 6, Avenida La Estancia, Chuao, Caracas 1060 - RB Venezuela	Ordinary	100%	100%
Smartmatic Services Corporation	Pine Lodge, #26 Pine Road, St. Michael, Barbados, W.I. BB 11112	Ordinary	100%	100%
Smartmatic International Corporation	Pine Lodge, #26 Pine Road, St. Michael, Barbados, W.I. BB 11112	Ordinary	100%	100%
Smartmatic Taiwan Corporation	7F., No.276, Jianguo Rd., Sindian City, Taipei County, Taiwan (R.O.C.)	Ordinary	100%	100%
1920 Business Inc.	16th floor, Accralaw Tower, Second Avenue Corner 30th Street, Crescent Park West, Bonifacio Global City, 0399 Taguig Metro Manila, Philippines	Ordinary	90%	90%
Smartmatic TIM Corporation	16th floor, Accralaw Tower, Second Avenue Corner 30th Street, Crescent Park West, Bonifacio Global City, 0399 Taguig Metro Manila, Philippines	Ordinary	100%	100%
Smartmatic TIM Corporation 2016	16th floor, Accralaw Tower, Second Avenue Corner 30th Street, Crescent Park West, Bonifacio Global City, 0399 Taguig Metro Manila, Philippines	Ordinary	47%	47%

*The subsidiaries of SGO Corporation Limited, below, all of which are domiciled and registered in the UK, are exempt from the audit of their individual accounts (Section 479a of the Companies Act 2006) due to the existence of a parental guarantee given by this parent undertaking of this group which prepares these consolidated accounts.

* These entities are all 100% directly owned by SGO Corporation Limited. All other investments are indirect.

The following subsidiaries have a different reporting period to that of the Company and the Group:

Smartmatic Biometric Services PVT LTD	31 March
Smartmatic Technology PVT LTD	31 March
Smartmatic Biometrics India (Former APR Biometric ID Services)	31 March

Notes to the consolidated financial statements (continued)

15 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2016 US\$000	2015 US\$000
Provisions	5,395	97
Property, plant and equipment	126	28
Intra-group profit	-	5,460
Unrealised foreign exchange losses	(3,107)	(4,851)
Other liabilities	(92)	(912)
Tax losses	831	1,236
Net deferred tax	3,153	1,058

Movement in deferred tax during the year

	1 January 2016 US\$000	Translation differences US\$000	Rate Change US\$000	Recognised in year US\$000	31 December 2016 US\$000
Provisions	97	-	(5)	34	126
Property, plant and equipment	28	-	(2)	(26)	-
Intra-group profit	5,460	-	-	(65)	5,395
	<u>5,585</u>	<u>-</u>	<u>(7)</u>	<u>(57)</u>	<u>5,521</u>
Temporary differences:					
Tax losses	1,236	(137)	(28)	(240)	831
Deferred tax asset	<u>6,821</u>	<u>(137)</u>	<u>(35)</u>	<u>(297)</u>	<u>6,352</u>
Deferred tax liabilities:					
Other liabilities	(912)	754	(20)	86	(92)
Unrealised foreign exchange gains	(4,851)	1,010	131	603	(3,107)
Deferred tax liability	<u>(5,763)</u>	<u>1,764</u>	<u>111</u>	<u>689</u>	<u>(3,199)</u>
Net deferred tax asset	<u>1,058</u>	<u>1,627</u>	<u>76</u>	<u>392</u>	<u>3,153</u>

Notes to the consolidated financial statements *(continued)*

15 Deferred tax assets and liabilities *(continued)*

Unrecognised deferred temporary differences

Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognized are attributable to the following:

	2016 US\$000	2015 US\$000
Charitable donations	8,284	2,566
Tax losses	45,975	5,738
	<hr/>	<hr/>
Deferred tax assets	54,259	8,304
	<hr/>	<hr/>

Unrecognised deferred tax assets in Venezuela (USD 13.3m) relates to tax losses which expire on or before 31 December 2019.

The Group does not recognise any deferred tax liability on temporary differences relating to potentially taxable unremitted earnings of overseas subsidiaries totalling USD 10.9m because it is able to control the timing of reversal of these differences. It is probable that no reversal will take place in the foreseeable future.

16 Inventories

	2016 US\$000	2015 US\$000
Raw materials and consumables	382	345
Finished goods, net	6,200	3,082
	<hr/>	<hr/>
	6,582	3,427
	<hr/>	<hr/>

Management estimates that inventories will be realised or utilised in short-term. There are no significant differences between the resale or fair value and the carrying value of stocks. There were no write offs or write downs of stocks in current period (2015: US\$ nil).

Notes to the consolidated financial statements (continued)

17 Trade and other receivables

	2016 US\$000	2015 US\$000
Trade receivables	105,170	88,727
Amounts due from parent	1,227	2,278
Other receivables	5,841	11,262
Advance to vendors	5,316	48,685
Prepayments and accrued income	6,415	3,155
Guarantee deposits	788	1,371
Pre-contract costs	2,807	3,121
Other taxes receivable	6,172	6,465
	<hr/>	<hr/>
	133,736	165,064
	<hr/>	<hr/>
Non-current	13,068	11,571
Current	120,668	153,493
	<hr/>	<hr/>

Advance to vendors

The Group grants advances to its suppliers to acquire goods and services during the course of business. As of 31 December 2016 and 2015, the Group has granted advances for US\$5,316,000 and US\$48,685,000 respectively, for the purchase of electoral machines, runtime licenses, digital pens, logistics services and others.

Employee loans

The Group entered into various employment agreements with certain key employees to provide an incentive to relocate them from Venezuela to Panama and continue employment relationship with the Group. The employment agreements provide certain benefits to the employees if certain contingencies are met, including continued employment in the Group for at least three consecutive years from the time the employment contract is signed. As a result, as of 31 December 2016 and 2015, the Group maintains non-interest bearing loans receivable from employees for approximately US\$229,000 and US\$297,000 respectively, classified under other trade receivables.

Other taxes receivable

Certain of the Group's operations are subject to Value-Added Tax (VAT) and withholding tax. Management considers that the current amounts receivable in respect to VAT and withholding tax are fully recoverable from tax authorities. As of 31 December 2016 and 2015, both the VAT and withholding tax are mainly generated by operations in Venezuela and the Philippines.

Pre-contract costs

Pre-contract costs for US\$2,807,000 (2015: US\$3,121,000) are represented by costs incurred by the Group in order to secure a contract to provide electoral services in Belgium. Pre-contract costs are amortised over the contract term. During the year ended 31 December 2016 a total of \$314,000 was amortised (2015: \$314,000).

Notes to the consolidated financial statements (continued)

18 Cash and cash equivalents

	2016 US\$000	2015 US\$000
Cash and cash equivalents	29,140	72,123
Restricted cash	5,147	13,713
Short term investment	762	4,689
	<hr/>	<hr/>
Total cash and cash equivalents	35,049	90,525
	<hr/>	<hr/>

For 2015 cash and cash equivalents include:

- Term deposit for Bs. 300,000,000; which earns interest at a rate of 14.50 % per annum and has a maturity date of 44 days.
- Term deposit for Bs. 300,000,000; which earns interest at a rate of 13% per annum and has a maturity date of 28 days.
- Term deposit for MXM 893,432,789 which earns interest at a monthly market value in Mexico and has a daily maturity date.

As of 31 December 2016 and 2015, restricted cash is represented by deposits held in financial institutions for the purpose of guaranteeing certain projects in progress, bid processes and local employee related obligations in certain jurisdictions.

19 Assets available for sale

	2016 US\$000	2015 US\$000
Assets classified as held for sale		
Inventory	17,659	-
	<hr/>	<hr/>

Assets held for sale includes equipment for which there was an option to sell in relation to the COMELEC contract. In 2015 this equipment was classified as property, plant and equipment.

Notes to the consolidated financial statements (continued)

20 Other interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. Refer to note 25 for more information about the Group's exposure to interest rate and foreign currency risk.

	2016 US\$000	2015 US\$000
Non-current liabilities		
Secured bank loans	1,892	2,565
	<u> </u>	<u> </u>
Current liabilities		
Current portion of secured bank loans	1,374	3,693
	<u> </u>	<u> </u>

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Face value 2016 US\$000	Carrying amount 2016 US\$000	Face value 2015 US\$000	Carrying amount 2015 US\$000
Banistmo loan	US\$	LIBOR +4	2020	1,575	1,575	2,015	2,015
Banistmo loan	US\$	LIBOR +4	2021	990	990	1,223	1,223
Banco Nacional de Credito	VEB	24%	2016	701	701	3,020	3,020
				<u> </u>	<u> </u>	<u> </u>	<u> </u>
				3,266	3,266	6,258	6,258
				<u> </u>	<u> </u>	<u> </u>	<u> </u>

The original loan was with HSBC Panama but the loan was transferred to Banistmo (a subsidiary of Bancolombia) in 2014. The loans are secured by pledged over commercial office units with a carrying amount of approximately US\$ 6,750,000. The promissory notes were issued by Banco Nacional de Credito in Venezuela during 2015 and amount to 600,000,000 in local currency.

21 Trade and other payables

	2016 US\$000	2015 US\$000
Current		
Trade payables and other payables	4,196	27,530
Amount due to parent	1,811	2,435
Employee benefits (refer to note 22)	5,649	4,114
Social security and other taxes	168	2,412
Accrued expenses	20,082	44,518
	<u> </u>	<u> </u>
	31,906	81,009
	<u> </u>	<u> </u>

Notes to the consolidated financial statements (continued)

22 Employee benefits

Share-based payments

On 26 May 2008 and effective since 1 January 2008, the company and group's ultimate parent, SGO Corporation N.V. entered into an agreement with its subsidiaries through its 2007 Stock Incentive Plan ("the Plan") to grant shares and Restricted Stock Units ("RSUs") to employees of Group and its subsidiaries. The Plan provides for the RSU's to commence on the date granted and are subject to employment, contract and other restrictions considered appropriate by the Group's management. The purpose of the Plan is to advance the interests of the Group by allowing the Group to attract, retain, reward and motivate eligible individuals by providing them with an opportunity to participate in the Plan and incentives to expend maximum effort for the growth and success of the Group. Each employee share option converts into one ordinary share of the Group on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry. The total number of RSU's granted and vested by the Group is as follows:

Grant date	Method of settlement accounting	Number of instruments	Vesting conditions	Contractual life of options	Fair value at grant date
1 September 2015	Equity	113,931	Partial vesting by year (30%, 30% & 40%)	1 September 2018	1.05
25 February 2016	Equity	446,373	100% vested at grant date	25 February 2016	1.05
31 December 2016	Equity	4,750,000	100% vested at grant date	31 December 2016	1.05

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

	Weighted average exercise price 2016	Number of options 2016	Weighted average exercise price 2015	Number of options 2015
Outstanding at the beginning of the year	0.01	79,257	0.01	145,857
Forfeited during the year	-	(2,655)	-	(436)
Exercised during the year	-	(480,346)	-	(180,095)
Granted during the year	0.01	5,196,373	0.01	113,931
Outstanding at the end of the year	0.01	4,792,629	0.01	79,257
Exercisable at the end of the year	0.01	4,792,629	0.01	79,257

The weighted average share price at the date of exercise of share options exercised during the year was US\$0.01 (2015: US\$0.01). The options outstanding at the year-end have an exercise price of \$0.01 and a weighted average contractual life of 3 years.

Notes to the consolidated financial statements (continued)

22 Employee benefits (continued)

Share-based payments (continued)

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The fair value of employee share options is measured by reference to the fair value of the issued share capital of SGO Corporation N.V. The fair of SGO Corporation N.V.'s share capital has been determined using an income based discounted cash flow analysis, together with a market based enterprise value multiple approach. Both are well established and recognised valuation methodologies.

Measurement inputs and assumptions are as follows:

	2016	2015
Fair value at grant date	1.05	1.05
Exercise price	Nil	Nil
Expected volatility	*	*
Expected dividends	Nil	Nil
Risk-free interest rate	1.9%	1.9%

* The impact of expected volatility is incorporated into the discounted cash flow analysis used in determining the fair value of the SGO Corporation N.V. share capital.

Share options are granted under a service condition. Such conditions are not taken into account in the grant date fair value measurement of the services received.

The total expenses recognised for the year and the total liabilities recognised at the end of the year arising from share-based payments are as follows:

	2016 US\$000	2015 US\$000
Equity settled share based payment expense	5,477	114

The expense and associated increase in reserves recognised in the year represents the fair value of the services provided to SGO Corporation Limited (and its subsidiaries) by its employees.

23 Deferred revenue

	2016 US\$000	2015 US\$000
Current		
Venezuela	993	2,808
Philippines	-	58,063
Barbados	-	260
Mexico	-	22
Uganda	-	3,451
Sierra Leone	2,400	-
Rest of the World	66	-
	<u>3,459</u>	<u>64,604</u>

All deferred revenue represents advance billings on contracts where the work had not been performed at the year end. The geographical allocation shown here is based on the location where the sales of goods and services will take place.

Notes to the consolidated financial statements *(continued)*

24 Capital and reserves

Share capital

	2016 US\$000	2015 US\$000
<i>Allotted, called up and fully paid</i>		
3 ordinary shares of £1 each	-	-
	<hr/>	<hr/>

Reserves

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations, as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

Share based payment reserve

The equity-settled employee benefits reserve comprises the equity component of the Company's share based payment charges.

25 Financial instruments

25 (a) Fair values of financial instruments

Trade and other receivables

The fair value of trade and other receivables, excluding construction contract debtors, is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

Trade and other payables

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

Cash and cash equivalents

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand. Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the balance sheet date.

Interest-bearing borrowings

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the balance sheet date.

Other financial assets

Level 1 fair value measurements have been determined by reference to quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 fair value measurements have been determined by reference to observable data in quoted markets at the balance sheet dates.

The fair values of all financial assets and financial liabilities by class together with their carrying amounts shown in the balance sheet are as follows:

Notes to the consolidated financial statements (continued)

25 Financial instruments (continued)

	Carrying amount	Fair value	Carrying amount	Fair value
	2016 US\$000	2016 US\$000	2015 US\$000	2015 US\$000
Loans and receivables				
Cash and cash equivalents (note 18)	35,049	35,049	90,525	90,525
Trade and other receivables (note 17)	133,736	133,736	165,064	165,064
Income tax receivable	10,528	10,528	5,413	5,413
Available for sale investments				
Other financial assets (note 12) – Level 2	4,903	4,903	4,095	4,095
Total financial assets	<u>184,216</u>	<u>184,216</u>	<u>265,097</u>	<u>265,097</u>
Financial liabilities measured at amortised cost				
Other interest-bearing loans and borrowings (note 20)	3,266	3,266	6,258	6,258
Trade and other payables (note 21)	31,906	31,906	81,009	81,009
Income tax repayable	4,290	4,290	120	120
Total financial liabilities	<u>39,462</u>	<u>39,462</u>	<u>87,387</u>	<u>87,387</u>
Total financial instruments	<u>144,754</u>	<u>144,754</u>	<u>177,710</u>	<u>177,710</u>

Notes to the consolidated financial statements (continued)

25 Financial instruments (continued)

25 (b) Credit risk

Financial risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by management.

Exposure to credit risk

The concentration of credit risk for trade receivables at the balance sheet date by geographic region was:

	2016 US\$000	2015 US\$000
Venezuela	80,417	79,335
Philippines	16,472	5,730
Brazil	522	430
Haiti	10,013	8,128
Mexico	193	689
Rest of the World	2,443	434
	<u>110,060</u>	<u>94,746</u>

As presented in the geographical credit risk analysis above, the group has US\$80.4 million of receivables in respect to operations in Venezuela, of which US\$78.5 million are denominated in US dollars. Of this \$51.6 million was paid in June 2017. The Directors have considered the credit risk exposure of US dollar denominated receivables in Venezuela and concluded that, despite the current economic climate, no provision for impairment is required. In forming this conclusion, the Director's note that a significant portion of the balance has been received since year end and that the Group has operated successfully in Venezuela for over ten years. Over that period they have a history of collecting receivables even when difficult economic conditions existed. Furthermore the Group maintains open and continuous communications with National Electoral Council ('CNE') regarding the collection of outstanding receivables and expects settlement of all remaining receivables within the coming 6 months of signing the accounts.

The group was also owed US\$10 million from a project completed in Haiti, of this \$8.2 million was paid in June 2017.

Credit quality of financial assets and impairment losses

The aging of trade receivables at the balance sheet date was:

	Gross 2016 US\$000	Impairment 2016 US\$000	Gross 2015 US\$000	Impairment 2015 US\$000
Not past due (0 – 30 days)	9,168	-	52,577	-
Past due 31- 60 days	1,080	-	421	-
Past due 61- 90 days	-	-	-	-
More than 91 days	99,812	(4,890)	41,768	(6,039)
	<u>110,060</u>	<u>(4,890)</u>	<u>94,766</u>	<u>(6,039)</u>

Notes to the consolidated financial statements (continued)

25 Financial instruments (continued)

25 (b) Credit risk (continued)

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

	2016 US\$000	2015 US\$000
Balance at 1 January	6,039	7,199
Impairment loss recognised	810	276
Impairment loss reversed	(1,959)	(1,436)
Balance at 31 December	4,890	6,039

The Group maintains an allowance for doubtful debts at a level that is considered by management as in line with the potential risk of bad debts. Aging of accounts receivable and clients' conditions are constantly monitored to ensure fairness of the allowance in the consolidated financial statements. Consequently, management considers that no further provisions, in excess of the allowance for doubtful accounts, are required.

25 (c) Liquidity risk

Financial risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements:

2016	Carrying amount US\$000	Contractual cash flows US\$000	1 year or less US\$000	1 to <2 years US\$000	2 to <5 years US\$000	5 years and over US\$000
Non-derivative financial liabilities						
Secured bank loans (note 20)	3,266	3,266	1,374	673	1,219	-
Trade and other payables (note 21)	31,906	31,906	31,906	-	-	-
		<u>35,172</u>	<u>33,280</u>	<u>673</u>	<u>1,219</u>	<u>-</u>
2015						
Non-derivative financial liabilities						
Secured bank loans (note 20)	6,258	7,099	4,255	797	1,988	59
Trade and other payables (note 21)	81,009	81,009	81,009	-	-	-
		<u>88,108</u>	<u>85,264</u>	<u>797</u>	<u>1,988</u>	<u>59</u>

Notes to the consolidated financial statements (continued)

25 Financial instruments (continued)

25 (d) Market risk

Financial risk management

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. Market risk exposures are measured using sensitivity analysis. There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured. The Group is dependent on renewing existing contracts and obtaining new contracts.

Market risk - Foreign currency risk

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Liabilities		Assets	
	2016	2015	2016	2015
Venezuelan Bolivars	10,803,692,232	11,858,702,433	7,711,638,207	7,537,721,381
Philippine Pesos	680,693,527	645,676,300	2,423,101,828	3,490,262,663
Euros	553,843	375,222	2,704,998	2,604,733
Mexican Pesos	3,306,136	10,284,735	21,039,650	54,107,945
Sterling Pound	5,114,541	1,537,405	8,349,216	9,886,178
Colombian Pesos	5,637,989,475	2,823,923,113	5,476,759,070	2,911,370,688
Taiwanese Dollars	11,389,422	5,569,981	141,378,547	108,056,127
Hong Kong Dollars	52,971	59,302	24,814	24,814
Rupees	966,992	3,254,145	16,038,735	23,995,851
Brazilian Reals	7,398	3,711,231	7,803,291	1,671,715
Haitian Gourdes	4,899,846	133,002,365	10,949,527	23,401,635
Pesos Argentinos	1,048,150	1,936,294	3,396,659	5,313,709
Dirham de los Emiratos Arabes Unidos	155,463	11,698	159,441	134,603

Sensitivity analysis

The Group is mainly exposed to the currency of Venezuela, Mexico, Colombia and Philippines.

The following table details the Group's sensitivity to increase and decrease in the dollar of the United States of America against the relevant foreign currencies, 1% is the sensitivity rates determined by key management personnel and represents management's assessment of the reasonably possible change in exchange rates. The sensitivity analysis includes the monetary assets and monetary liabilities foreign currency denominated, mentioned previously. A positive number below indicates an increase in profit or equity where in the dollar of the United States of America, there would be a comparable impact on the profit or equity, and the balances below would be negative.

	2016 Impact original currency	Impact in US\$	% of change in exchange rate	2015 Impact original currency	Impact in US\$	% of change in exchange rate
Sterling Pound	(2,504,717)	(3,275,891)	10.71%	(5,468,287)	(7,775,100)	146.3%
Rupees	(205,340)	(2,968)	1.02%	(290,248)	(4,316)	0%
Taiwanese dollars	(16,646,140)	(2,124,096)	(0.35%)	(3,117,505)	(95,932)	-2.1%
Euros	(48,423)	(57,954)	(1.70%)	1,819,643	2,011,616	0%
Brazilian Reals	(2,425,783)	(737,379)	0.14%	545,159	148,132	199.0%
Mexican Pesos	(878,633)	(42,173)	1.25%	(2,451,873)	(141,886)	0%
Philippine Pesos	(39,893,118)	(789,664)	(2.47%)	57,306,435	1,219,789	1349.3%
Colombian Pesos	783,510	273	(1.33%)	4,168,935	1,267	177.8%
Hong Kong dollars	9,996	1,277	57.95%	8,270	1,063	0%
Venezuelan Bolivars	(1,127,886)	(564)	(0.26%)	1,367,625	6,855	0%
Haitian Gourdes	(66,332)	(972)	0.61%	1,767,460	28,178	0%
Argentinian Pesos	2,348,509	(148,263)	(0.86%)	3,377,414	(228,254)	50.82%
Dirham	3,978	23,105	(0.04%)	122,905	23,105	0.51%

Notes to the consolidated financial statements (continued)

25 Financial instruments (continued)

25 (d) Market risk (continued)

Market risk – Interest rate risk

Profile

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and variable interest rates. The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. A 1.5 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1.5 basis points higher and all other variables were held constant, the Group's:

- Profit for the year ended 31 December 2016 would decrease by US\$ 49,000 (2015: US\$ 94,000 decrease). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings; and
- Other comprehensive income for the year ended 31 December 2016 would decrease in the same amounts for both years.

25 (e) Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to shareholder through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from 2014.

The capital structure of the Group consists of net debt and equity of the Group.

The Group's directors review the capital structure of the Group on a regular basis. As part of this review, directors consider the cost of capital and the risks associated with each class of capital.

26 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2016 US\$000	2015 US\$000
Less than one year	2,584	2,642
Between one and five years	2,466	2,489
More than five years	635	1,065
	<u>5,685</u>	<u>6,196</u>

The Group leases a number of warehouse and factory facilities under operating leases. Land and buildings have been considered separately for lease classification.

During the year US\$1,694,000 was recognised as an expense in the income statement in respect of operating leases (2015: US\$1,758,000).

Notes to the consolidated financial statements *(continued)*

27 Commitments and contingencies

The Group may be affected by certain claims during the normal course of its business activities. Also there are certain criteria used by the Group's management related to the tax rate applicable to income generated by operations in Venezuela, United States of America and other countries. Despite the existing uncertainty relating to the juridical disputes themselves, in the opinion of management and its legal counsels and advisors, the final outcome of these cases and criteria will not have any significant impact on the consolidated financial statements since the legal grounds favour the Group and the criteria they have taken are supported adequately due to the actions taken.

28 Related parties

Transactions with key management personnel

The compensation of key management personnel (including the directors) is as follows:

	2016 US\$000	2015 US\$000
Key management emoluments	942	962
Share related awards	5,058	1
	<hr/>	<hr/>
	6,000	963
	<hr/>	<hr/>

Other related party transactions

Certain family members of Antonio José Mugica Rivero and Roger Alejandro Piñate, directors of the company are employed by the Group. The salary paid to these family members is based on an arm's length basis and amounted to \$1,264.179 (2015:\$514,754) in the current year.

29 Ultimate parent company

The ultimate parent company is SGO Corporation N.V., a company incorporated in Curacao.

The largest group into which the company's results are consolidated is that headed by Smartmatic International Group N.V., incorporated in Curacao. The smallest group into which the company's results are consolidated is that headed by SGO Corporation Limited, a company incorporated in the United Kingdom.

30 Subsequent events

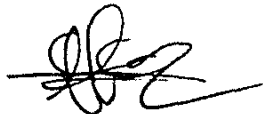
Of the debt over 90 days at year end the group collected \$51.6 million in relation to sales to Venezuela and \$8.2 million in relation to Haiti in June 2017.

Company Balance Sheet
at 31 December 2016

	<i>Note</i>	2016 £000	2016 £000	2015 £000	2015 £000
Fixed assets					
Tangible Assets	3		24		96
Other Receivables			3		-
Investments	4		109,174		106,643
			<u>109,201</u>		<u>106,739</u>
Current assets					
Debtors	5	3,466		8,681	
Cash at bank and in hand		81		408	
		<u>3,547</u>		<u>9,089</u>	
Creditors: amounts falling due within one year	6	<u>(5,663)</u>		<u>(36,758)</u>	
Net current liabilities			<u>(2,116)</u>		<u>(27,669)</u>
Total assets less current liabilities			<u>107,085</u>		<u>79,070</u>
Provision for liabilities	7		-		(11)
Net assets			<u>107,085</u>		<u>79,059</u>
Capital and reserves					
Called up share capital	8		-		-
Share Premium			68		68
Merger Reserve			80,414		80,414
Share based payments reserves			432		121
Profit and loss account			26,171		(1,544)
Shareholder's funds			<u>107,085</u>		<u>79,059</u>

The notes on pages 54 to 57 form part of these financial statements.

These financial statements were approved by the board of directors on 12 July 2017 and were signed on its behalf by:



Antonio Jose Mugica Rivero
Director

Company registered number: 07477910

Statement of Changes in Equity
for year ended 31 December 2016

	Called up Share capital £000	Share Premium account £000	Merger reserve £000	Share based premium reserves £000	Profit and loss account £000	Shareholder's funds £000
Balance at 1 January 2015	-	68	80,414	121	(962)	79,641
Loss for the year	-	-	-	-	(582)	(582)
Balance at 1 January 2016	-	68	80,414	121	(1,544)	79,059
Loss for the year	-	-	-	-	27,715	27,715
Share based payment transaction	-	-	-	311	-	311
Balance at 31 December 2016	-	68	80,414	432	26,171	107,085

The notes on pages 54 to 57 form part of these financial statement

Notes to the Company financial statements

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

Basis of preparation

The Company financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 have been applied.

Under section 408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account.

Under Financial Reporting Standard 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that the Company is included in its own published consolidated financial statements.

As the Company is a wholly owned subsidiary of Smartmatic International Group N.V., the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of the group.

Tangible Assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

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

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives all tangible assets. Land is not depreciated. The estimated useful lives are as follows:

Leasehold improvements

Up to life of lease

Investments

Investments in subsidiary undertakings, associates and joint ventures are stated at cost less amounts written off.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Cash and liquid resources

Cash comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market. Liquid resources comprise term deposits of less than one year (other than cash).

Notes to the Company financial statements *(continued)*

2 Remuneration of directors

	2016	2015
	£000	£000
Directors' emoluments	704	360

3 Tangible fixed assets

	Leasehold Improvements £000	Furniture & Fixtures £000	Total £000
Cost			
At beginning of year	257	50	307
At end of year	257	50	307
Depreciation			
At beginning of year	161	50	211
Charge for year	72	-	72
At end of year	233	50	283
Net book value			
At 31 December 2016	24	-	24
At 31 December 2015	96	-	96

Notes to the Company financial statements (continued)

4 Fixed asset investments

	Shares in group undertakings £000	Total £000
Cost and Net book value		
At 31 December 2016	109,174	109,174
At 31 December 2015	106,643	106,643

The entities subsidiaries are listed in the Group accounts see page 36-37.

The above value contains an impairment for £1.6m of the investment in Smartmatic UK Limited.

5 Debtors

	2016 £000	2015 £000
Prepayments	83	103
Amounts owed by group undertakings	3,300	8,503
Advance to vendors	-	2
Prepaid taxes	82	73
Other debtors	1	-
	<u>3,466</u>	<u>8,681</u>

6 Creditors: amounts falling due within one year

	2016 £000	2015 £000
Trade creditors	64	142
Amounts owed to group undertakings	5,219	36,228
Taxation and social security	-	11
Accruals	380	377
	<u>5,663</u>	<u>36,758</u>

Notes to the Company financial statements (continued)

7 Provisions for liabilities

	Deferred taxation £000	Total £000
At beginning of year	11	11
Provision released	(11)	(11)
	<hr/>	<hr/>
At end of year	-	-
	<hr/>	<hr/>

The elements of deferred taxation are as follows:

	2016 £000	2015 £000
Difference between accumulated depreciation and amortisation and capital allowances	-	11
	<hr/>	<hr/>

8 Called up share capital

	2016 £000	2015 £000
Allotted, called up and fully paid 3 Ordinary shares of £1 each	-	-
	<hr/>	<hr/>

9 Ultimate parent company

The Company is a wholly subsidiary of SGO Corporation N.V., a company incorporated in Curacao. The registered address of this entity is Willemstad Curacao, Netherlands Antilles.