

SGO Corporation Limited

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

31 December 2017

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Strategic report

Principal activities

The principle activity of SGO Corporation 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 2017 reached to US\$90 million (2016: US\$196 million), primarily generated from its subsidiaries in Venezuela, Netherlands, and Haiti. Smartmatic, selling Election Products and Services constituted the main source of these revenues. The consolidated revenue for 2017 decreased by \$106 million from 2016. The decrease came as a result of electoral services and equipment lease of electoral machines being undertaken in Philippines and also the abrupt call off of the Venezuela project by the government. Total cost of sales amounted to US\$92million (2016: US\$108 million) resulting in a total gross loss of US\$2 million (2016: gross profit of US\$88 million). Total loss after tax for the Group amounted to US\$52 million (2016: profit after tax of US\$13 million). The cause of this loss was the cancellation of the Venezuela project in 2017 and other projects in Venezuela.

As at 31 December 2017 the Group has consolidated net current assets of US\$128 million (2016: US\$154 million) and net assets of US\$127 million (2016: US\$178 million).

The 2018 financial outlook shows increased revenues, consistent with higher electoral activity taking place in the marketplace (primarily USA, Brazil and Argentina, and in other Latin American and African countries and in some European countries such as Belgium 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 27 countries, with major operations in Philippines, Netherland and USA

During 2017 the Group opened new operations in Pakistan, Honduras, and Singapore and completed some new projects in Italy, Sierra Leona, and Armenia. The Group improved its operation in USA to be able to compete widely in that electoral market. Also, during 2017 the Group continue to invest in new lines of businesses to enhance new business opportunities and also in the other start-ups: Infuser, Airlabs, eVote and Folio. Smartmatic 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

The Group has investments in:

- eVote: social media voting
- Folio: Digital identity
- Airlabs: Air pollution cleaning technologies for consumers and cities
- Infuser: Air pollution cleaning technologies for the industrial sector

Strategic report (continued)

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 high inflation and others with currency restrictions.

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 Rivero
Director

33 Baker Street, London, United Kingdom. W1U 6TQ

27 July 2018

Directors' report

The Board of Directors present their directors' report and financial statements for the year ended 31 December 2017.

Dividend

The directors have declared and paid a final ordinary dividend in respect of the current financial year of US\$ nil (2016: nil).

Directors

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

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

Political Donations

Neither the Company nor any of its subsidiaries made any political donations during the year (2016: US\$ nil).

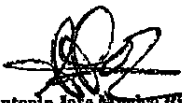
Disclosure of information to auditor

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

88 Baker Street, London, United Kingdom, W1U 6TQ

27 July 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, the 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 both the group and the parent company financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

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 judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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

Opinion

We have audited the financial statements of SGO Corporation Limited ("the company") for the year ended 31 December 2017 which comprise the consolidated income statements, consolidated statement of comprehensive income, consolidated and company balance sheet, consolidated and company statement of changes in equity, consolidated cash flow statement and related notes, including the accounting policies in note 1.

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 2017 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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

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

- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

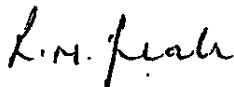
Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



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

31 July 2018

Consolidated Income Statement
for year ended 31 December 2017

	Note	2017 US\$000	2016 US\$000
Revenue	3	90,459	195,743
Cost of sales		(92,299)	(107,946)
Gross (loss)/profit		(1,840)	87,797
Operating expenses		(50,886)	(63,872)
Other income	4	3,832	3
Other expenses	4	(2,698)	(495)
Foreign exchange rate loss		(1,829)	(2,791)
Operating (loss)/profit	5	(53,421)	20,642
Financial income	8	1,660	80
Financial expenses	8	(492)	(2,460)
Foreign exchange gain/(loss)		32	(306)
Net financing income/(expense)		1,200	(2,686)
(Loss)/profit before tax		(52,221)	17,956
Taxation	9	143	(4,726)
(Loss)/profit for the year		(52,078)	13,230
Attributable to:			
Equity holders of the parent		(51,746)	13,359
Non-controlling interest		(332)	(129)
(Loss)/profit for the year		(52,078)	13,230

The notes on pages 15 to 49 form an integral portion of these financial statements

Consolidated Statement of Comprehensive Income
for year ended 31 December 2017

	2017 US\$000	2016 US\$000
(Loss)/profit for the year	(52,078)	13,230
Other comprehensive income		
<i>Items that are or may be recycled subsequently to profit or loss:</i>		
Foreign currency translation differences	956	1,963
	<u>(51,122)</u>	<u>15,193</u>
Attributable to:		
Equity holders of the parent	(50,790)	15,322
Non-controlling interest	(332)	(129)
	<u>(51,122)</u>	<u>15,193</u>

The notes on pages 15 to 49 form an integral portion of these financial statements

Consolidated Balance Sheet
at 31 December 2017

	<i>Note</i>	2017 US\$000	2016 US\$000
Non-current assets			
Property, plant and equipment	10	9,476	9,891
Intangible assets	11	8,602	5,844
Other financial assets	12	4,903	4,903
Other receivables	16	5,080	13,068
Deferred tax assets	14	6,435	6,352
		<u>34,496</u>	<u>40,058</u>
Current assets			
Inventories	15	2,185	6,582
Trade and other receivables	16	38,093	125,024
Cash and cash equivalents	17	70,390	35,049
Non-current assets held for sale	18	17,605	17,659
		<u>128,273</u>	<u>184,314</u>
Total assets		<u>162,769</u>	<u>224,372</u>
Current liabilities			
Other interest-bearing loans and borrowings	19	7,685	1,374
Trade and other payables	20	19,158	20,996
Deferred revenue	22	691	3,459
Income tax payable		972	4,290
Provisions	23	3,306	10,910
		<u>31,812</u>	<u>41,029</u>
Non-current liabilities			
Deferred tax liabilities	14	2,250	3,199
Other interest-bearing loans and borrowings	19	1,222	1,892
		<u>3,472</u>	<u>5,091</u>
Total liabilities		<u>35,284</u>	<u>46,120</u>
Net assets		<u>127,485</u>	<u>178,252</u>

Consolidated Balance Sheet (continued)

	Note	2017 US\$000	2016 US\$000
Equity attributable to equity holders of the parent			
Share capital	24	-	-
Share premium		12,255	12,255
Share based payment reserves		16,879	16,324
Translation reserves		(61,398)	(61,542)
Retained earnings		159,058	209,993
		<hr/>	<hr/>
Non-controlling interest		691	1,022
		<hr/>	<hr/>
Total equity		127,485	178,252
		<hr/>	<hr/>

The notes on pages 15 to 49 form an integral portion of these financial statements

These financial statements were approved by the board of directors on 27 July 2018 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 2017

	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 2015	-	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
Total comprehensive income								
Profit or loss	-	-	-	-	(51,746)	(51,746)	(332)	(52,078)
Foreign currency translation differences	-	-	144	-	811	955	1	956
Total comprehensive income for the period	-	-	144	-	(50,935)	(50,791)	(331)	(51,122)
Equity-settled share based payment transactions	-	-	-	355	-	355	-	355
Balance at 31 December 2017	-	12,255	(61,398)	16,879	159,058	126,794	691	127,485

The notes on pages 15 to 49 form an integral portion of these financial statements

Consolidated Cash Flow Statement
for year ended 31 December 2017

	Note	2017 US\$000	2016 US\$000
Cash flows from operating activities			
(Loss)/Profit for the year		(52,078)	13,230
Adjustments for:			
Depreciation, amortisation and impairment	5	2,621	33,525
Bad debts allowance	5	3,710	810
Unrealised foreign exchange movements		(2,641)	10,164
Reversal of bad debts allowance	5	(70)	(1,959)
Loss on translation of deferred tax assets	14	16	(1,627)
Equity settled share-based payment expenses	21	355	5,477
Taxation	9	(143)	4,726
Finance income	8	(1,660)	(80)
Finance expense	8	492	2,460
Decrease in trade and other receivables	16	92,708	28,814
Decrease / (increase) in inventories	15	4,397	(3,155)
Decrease in trade and other payables	20	(155)	(48,479)
Decrease in provision	23	(7,064)	-
Decrease/increase in deferred revenue	22	(2,768)	(61,145)
Interest paid	8	(492)	(520)
Tax paid		(3,463)	(31)
Net cash from operating activities		33,225	(17,790)
Cash flows from investing activities			
Acquisition of property, plant and equipment	10	(270)	(32,981)
Acquisition of other intangible assets	11	(3,531)	(3,055)
Elimination of investment in subsidiary		-	1,262
Interest received	8	345	80
Net cash from investing activities		(3,456)	(34,694)
Cash flows from financing activities			
Issue of new debt	19	7,000	-
Repayment of borrowings	19	(670)	(673)
Repayment of promissory notes	19	(689)	(2,319)
Net cash from financing activities		5,641	(2,992)
Net decrease in cash and cash equivalents		35,410	(55,476)
Cash and cash equivalents at 1 January	17	35,049	90,525
Cash and cash equivalents at 31 December	17	70,390	35,049

The notes on pages 15 to 49 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 88 Baker Street, London, United Kingdom, W1U 6TQ. The registered number is 07477910.

The group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group") for the year ended 31 December 2017. 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 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.

1.3 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.

1.4 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.

Notes to the consolidated financial statements *(continued)*

1 Accounting policies *(continued)*

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.

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.

1.5 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.

Notes to the consolidated financial statements *(continued)*

1 Accounting policies *(continued)*

1.5 Foreign currency *(continued)*

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.

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.

Venezuela continues to be a hyperinflationary economy for the year ending 31 December 2017. The Central Bank of Venezuela has not published official inflation data since 2015. However, private sector estimates and reports indicate an accelerating rate of inflation and the IMF projects and inflation rate of 1,133% for the year ending 31 December 2017. DICOM's exchange rate was 3,345 VEF per US\$1.

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.

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 2017 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 2017 and from January to November 2017, 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 2017 NCPI the BCV might publish in the future, the impact of this estimate on the Company's financial statements at 31 December 2017 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.

Notes to the consolidated financial statements (continued)

1 Accounting policies (continued)

1.5 Foreign currency (continued)

	NCPI		
	INDEX	Monthly variance	Yearly variance
	2017		
December	108,334	58.8%	1128.3%
November	68,220	40.9%	673.5%
October	48,418	30.7%	449.0%
September	37,033	25.9%	319.9%
August	29,411	24.8%	233.5%
July	23,558	19.8%	167.1%
June	19,663	16.7%	122.9%
May	16,857	13.6%	91.1%
April	14,840	12.2%	68.3%
March	13,228	10.2%	50.0%
February	11,999	17.4%	36.0%
January	10,220	15.9%	15.9%

Source: Ecoanálitica

1.6 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:

- 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
- 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.

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

Notes to the consolidated financial statements (continued)

1.6 Classification of financial instruments issued by the Group (continued)

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.

1.7 Non-derivative financial instruments

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.

1.8 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)

1.9 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.

1.10 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.

1.11 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.

1.12 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.

Notes to the consolidated financial statements *(continued)*

1 Accounting policies *(continued)*

1.12 Impairment excluding inventories and deferred tax assets *(continued)*

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.

1.13 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.

Notes to the consolidated financial statements *(continued)*

1 Accounting policies *(continued)*

1.14 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.

1.15 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.

1.16 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.

Notes to the consolidated financial statements *(continued)*

1 Accounting policies *(continued)*

1.16 Revenue *(continued)*

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.

1.17 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

*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.

1.18 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.

Notes to the consolidated financial statements (continued)

1.19 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.

1.20 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>

IFRS 15 Revenue from Contracts with Customers was issued in 2014 and was endorsed by the EU in 2016. IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue. IFRS 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The company plans to adopt IFRS 15 in its financial statements for the year ending 31 December 2018.

Based on the new IFRS 15, revenues should be recognized based on the compliance with the contracts performance obligations. For the Group, there may be an impact when recognizing revenue related to services and development as the percentage of advance method is no more in effect. From 2018 and on, services and development related revenues will be recognized based on the delivery of the correspondent performance obligation defined in the sales contracts, when these are delivered to the client and the client can obtain benefits from it usage.

IFRS 9 Financial Instruments was issued in July 2014 and was endorsed by the EU in 2016. It replaces existing financial instruments guidance, including IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is effective for annual periods beginning on or after 1 January 2018 and the company plans to adopt IFRS 9 in its financial statements for the year ending 31 December 2018. IFRS 9 will simplify the classification of financial assets for measurement purposes, but is not anticipated to have a significant impact on the financial statements.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by the Group. Under IFRS 16, all assets controlled by the Group will be recognised through a right of use asset, with a corresponding lease liability. All leases where the Group has a right of use asset will come onto the balance sheet. There will be no distinction in accounting treatment between finance leases and operating leases. The only potential exception to this will be short term leases (less than 12 months) and leases of an immaterial value.

The right-of-use asset is measured at cost less accumulated depreciation and any accumulated impairment losses, adjusted for any remeasurements of the lease liability. The lease liability is initially measured at the present (discounted) value of the future lease payments. Subsequently, the lease liability is adjusted for interest charged and lease payments, as well as the impact of lease modifications. Cash flows will split into a principal and an interest portion which will be presented as financing and operating cash flows respectively. IAS 17, the current accounting standard, does not require the recognition of any right-of-use asset or liability for future payments for the operating leases, instead, certain information is disclosed as operating lease commitments in note 24. As at 31 December 2017, the Group has undiscounted non-cancellable operating lease commitments of \$1,842,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16 and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these.

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. Deferred taxes
- e. Impairment of trade receivables

Notes to the consolidated financial statements (continued)

3 Revenue

	2017 US\$000	2016 US\$000
Sale of goods	13,040	13,774
Rendering of services	77,419	75,957
Lease revenue	-	106,012
Total revenue	90,459	195,743

Revenue by geographical location is as follows:

	2017 US\$000	2016 US\$000
Africa	7,216	16,917
South America	55,151	7,453
Asia	6,191	171,073
Europe	21,901	300
Total revenue	90,459	195,743

2017 was a difficult year for the Group in terms of revenues and net results, due to important one-time issues, mostly related to the Venezuela operation. The most important negative effect was caused by the loss incurred on delivering the Constituent Election for US\$34 Million, due to this project was abruptly called off by the Venezuelan government prior to its finalization and then transferred to a third party, without honoring the total services delivered for disagreeing to be used to violate the integrity of the election process. Other projects also executed in Venezuela were not honored and had negative impacts of US\$19 Million. Nevertheless, the Company maintains a very strong equity and cash position, with total assets over US\$163 million and net assets of US\$127 million.

4 Other income and expense

	2017 US\$000	2016 US\$000
Other income	3,832	3

For 2017 significant items within other income relates to payment received for settlement of administrative claim for US\$1,595,920, sale of office equipment and used batteries for US\$670,000, and refunds of taxes paid for US\$401,000.

	2017 US\$000	2016 US\$000
Other expense	2,698	495

For 2017 significant items within other expenses relates to prior year advances agreed not to be reimbursed for US\$2,000,000.

Notes to the consolidated financial statements *(continued)*

5 Expenses and auditor's remuneration

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

	2017 US\$000	2016 US\$000
Impairment reversal trade receivables (see note 25)	(70)	(1,959)
Impairment of trade receivables (see note 25)	3,710	810
Depreciation expense (see note 10)	877	32,089
Amortisation expense (see note 11)	773	1,122
Pre-contract costs amortisation expense (see note 16)	314	314
Operating lease expense (see note 26)	2,295	1,694
Research and development expenditure	941	1,550
Impairment of PPE (see note 10)	657	-

Auditor's remuneration:

	2017 US\$000	2016 US\$000
Audit of these financial statements	20	28
<i>Amounts receivable by the company's auditor and its associates in respect of:</i>		
Audit of financial statements of subsidiaries of the company	696	642
Tax advisory and compliance services	864	379

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 \$12,000 (2016: \$49,000).

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	
	2017	2016
Number of employees	448	479

The aggregate payroll costs of these persons were as follows:

	US\$000	US\$000
Wages and salaries	22,702	21,248
Share based payments (See note 21)	355	5,477
Social security costs	3,179	3,554
Contributions to defined contribution plans	131	189
	26,367	30,468

Notes to the consolidated financial statements *(continued)*

7 Directors' remuneration

	2017	2016
	\$000	\$000
Remuneration paid to or receivable by directors in respect of qualifying services	2,629	942
Share based payments (refer to note 21)	-	5,058
	<u>2,629</u>	<u>6,000</u>

The total remuneration and amounts receivable under long term incentive schemes of the highest paid director was US\$1,862,000 (2016: US\$5,147,000).

8 Finance income and expense

	2017 US\$000	2016 US\$000
Finance income		
Interest income	345	80
Gain on monetary position	1,315	-
	<u>1,660</u>	<u>80</u>
Total finance income	<u>1,660</u>	<u>80</u>
	2017 US\$000	2016 US\$000
Finance expense		
Total interest expense on financial liabilities measured at amortised cost	492	520
Loss on monetary position	-	1,940
	<u>492</u>	<u>2,460</u>
Total finance expense	<u>492</u>	<u>2,460</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

	2017 US\$000	2016 US\$000
<i>Current tax expense</i>		
Current year	(1,035)	(4,617)
Adjustments for prior years	130	(579)
Current tax expense	(905)	(5,196)
<i>Deferred tax expense</i>		
Origination and reversal of temporary differences	438	(5,014)
Recognition of previously unrecognised tax losses	14	5,407
Rate Change	596	77
Deferred tax credit	1,048	470
Total tax expense	(143)	(4,726)

Reconciliation of effective tax rate

	2017 US\$000	2016 US\$000
(Loss)/Profit before tax	(52,221)	17,956
Income tax (credit)/expense calculated at 19.25% (2016:20%)	(10,053)	3,591
Effect of expenses that are not deductible in determining taxable profit	1,304	(3,641)
Effect of different tax rates of subsidiaries operating in other jurisdictions	353	6,973
Effect of tax losses not recognised as deferred tax assets	2,667	2,482
Timing differences not recognised for deferred tax purposes	84	862
Effect of different exchange rates translation on subsidiaries	6,260	(3,054)
Effect of prior year adjustments	(147)	579
Unrecognised deferred tax now recognised	(15)	(2,989)
Effect of changes in tax rates	(596)	(77)
Total tax (credit)/expense	(143)	4,726

The tax rate used for the 2017 reconciliation above is the corporate tax rate of 19.25% payable by corporate entities in the UK on taxable profits under tax law in that jurisdiction. The 2016 reconciliation is based on the corporate tax rate of 20%.

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 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 & 1 January 2017	9,174	4,562	3,068	486	961	23	18,274
Additions	-	13	25	-	-	232	270
Effect of movements in foreign exchange	-	169	1,218	752	353	-	2,492
Balance at 31 December 2017	9,174	4,744	4,311	1,238	1,314	255	21,036
Depreciation and impairment							
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 January 2017	(1,868)	(3,143)	(2,159)	(326)	(887)	-	(8,383)
Depreciation charge for the year	(306)	(224)	(104)	(173)	(70)	-	(877)
Impairment	-	(495)	-	-	(162)	-	(657)
Effect of movements in foreign exchange	-	372	(1,229)	(598)	(188)	-	(1,643)
Balance at 31 December 2017	(2,174)	(3,490)	(3,492)	(1,097)	(1,307)	-	(11,560)
Net book value							
At 31 December 2016 and 1 January 2017	7,306	1,419	909	160	74	23	9,891
At 31 December 2017	7,000	1,254	819	141	7	255	9,476

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. 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 31 December 2016 and 1 January 2017	5,891	2,753	8,644
Additions	1,406	2,125	3,531
Balance at 31 December 2017	7,297	4,878	12,175
Amortisation and impairment			
Balance at 31 December 2016 and 1 January 2017	(2,800)	-	(2,800)
Amortisation for the year	(773)	-	(773)
Balance at 31 December 2017	(3,573)	-	(3,573)
Net book value			
At 31 December 2016 and 1 January 2017	3,091	2,753	5,844
At 31 December 2017	3,724	4,878	8,602

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. In 2017 the group made an additional purchase of these licenses for US\$271,000. 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 2017 \$4,878,000 (2016: \$2,953,000) of development costs have been capitalised. These items are not yet use and so no amortisation charge has been incurred.

Notes to the consolidated financial statements *(continued)*

12 Other financial assets

	2017 US\$000	2016 US\$000
Non-current		
Available for sale financial assets	4,903	4,903

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 consolidated financial statements (continued)

13 Investments in subsidiaries controlled entities

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

Group Subsidiary	Registered address	Registered Number	Class of shares held	Ownership	
				2017	2016
Smartmatic International Holding B.V.*	Gustav Mahlerplein 25C, 1082 MS Amsterdam, The Netherlands	7477910	Ordinary	100%	100%
Smartmatic Elections UK * *	88 Baker Street, London, W1U 6TQ, United Kingdom	04032259	Ordinary	100%	100%
Hisoft Limited	Unit 1001, 10/F, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong	8704199	Ordinary	100%	100%
E-Vote UK Limited*	88 Baker Street, London, W1U 6TQ, United Kingdom	2237991	Ordinary	100%	100%
Airlabs Limited*	88 Baker Street, London, W1U 6TQ, United Kingdom	9722206	Ordinary	100%	100%
Your.Id Limited*	88 Baker Street, London, W1U 6TQ, United Kingdom	8953917	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	9035601	Ordinary	100%	100%
Airlabs B.V (formerly Air B.V.)	Gustav Mahlerplein 25C, 1082 MS Amsterdam, The Netherlands	5797455	Ordinary	100%	100%
Air Denmark, filial of Air BV	c/o Citco (Denmark) ApS, Holbergsgade 14, Denmark	60448059	Ordinary	100%	100%
Smartmatic UK Limited* *	188 Baker Street, London, W1U 6TQ, United Kingdom	36736348	Ordinary	100%	100%
Smartmatic of Haiti, S.A.	#7, Rue Lechaud, Bourdon, Port au Prince, Haiti	1607063756	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	CS201001745	Ordinary	100%	100%
Smartmatic Middle East	Executive Office No 30, Building 16 Ground Floor, Dubai, UAE	93040	Ordinary	100%	100%
Consorcio COLCARD de Recaudo y Gestion de Flotas de Transporte Público (non-incorporated)	Pie de la Popa, Carrera 21, #30-46, Cartagena de Indias, Colombia	0928552202	Ordinary	70%	60%
Smartmatic Belgium SPRL	9 ^a Floor, Rue Belliar 4/6, 1040 Brussels, Belgium	0835516626	Ordinary	100%	100%
Smartmatic USA Corporation	160 Greentree Drive, Suite 101, City of Dover, County of Kent, Delaware, USA	4959658	Ordinary	100%	100%
Smartmatic Solutions Corporation OP	Pine Lodge, #26 Pine Road, St. Michael, Barbados, W.I BB 11112	39559	Ordinary	100%	100%
Albatross Technologies Corporation	Pine Lodge, #26 Pine Road, St. Michael, Barbados, W.I BB 11112	31402	Ordinary	100%	100%
Smartmatic Asia Pacific Limited	Unit 1001, 10/F, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong.	1192442	Ordinary	100%	100%
Smartmatic Mauritius	Citco (Mauritius) Limited, 4th Floor, Tower A, 1 Cybercity, Ebene, Mauritius	123882	Ordinary	100%	100%
Smartmatic Africa	Citco (Mauritius) Limited, 4th Floor, Tower A, 1 Cybercity, Ebene, Mauritius	127519	Ordinary	100%	51%
Smartmatic South Africa	Ground Floor Stadium Building, Lion Match Office Park, Umgeni Road, Durban, South Africa	2014/274662/07	Ordinary	100%	51%
Integradora Venezolana de Tecnologia y Automatizacion (INVENTA, C.A.)	Centro Banaven (Cubo Negro), Torre C, Piso 6 Ofic. B-63-01, Avenida La Estancia, Chuao, Caracas 1060-RB Venezuela 1A	Registro 4° DTTO CAP No.25 Tomo 63 A Cto 2009.	Ordinary	100%	100%
Smartmatic Netherlands B.V.	Gustav Mahlerplein 25C, 1082 MS Amsterdam, The Netherlands	34320515	Ordinary	100%	100%

Notes to the consolidated financial statements (continued)

13 Investments in subsidiaries controlled entities (continued)

Group Subsidiary	Registered address	Registered Number	Class of shares held	Ownership	
				2017	2016
Smartmatic Mexico, S.A. de C.V.	Berna No. 6, Piso 6, Colonia Juarez, Delegacion Cuauhtemoc, Distrito Federal, CP 06600	415220	Ordinary	100%	100%
Smartmatic Ecuador, S.A.	Coop Union y Progreso Mz B, Numero 3, Guayaquil, Ecuador.	06-G-IJ-0003588	Ordinary	100%	100%
Smartmatic India, Pvt Ltd.	505A ,5th floor, D-4, Rectangle 1, District Center, Saket, New Delhi - 110017	U74140DL2 010PTC202 794	Ordinary	100%	100%
Smartmatic Biometrics India (Former APR Biometric ID Services, Pvt Ltd.)	505A ,5th floor, D-4, Rectangle 1, District Center, Saket, New Delhi - 110017	U74900DL2 010PTC203 447	Ordinary	100%	100%
Smartmatic Brazil LTDA (Branch Ilheus)	Av. Dr Guilherme Dumon Villares 1410, cj 101, Sao Paulo, Brasil	09.390.637/ 0001-06	Ordinary	100%	100%
Smartmatic Elecciones de Mexico S.A. de C.V.	505A ,5th floor, D-4, Rectangle 1, District Center, Saket, New Delhi - 110017	U74900DL2 010PTC204 111	Ordinary	100%	60%
SC Centre of Excellence for Internet Voting OU	Ülikool tn 2, Tartu city, Tarty County, 51003, Estonia	12679959	Ordinary	60%	60%
Smartmatic Project Management Corporation	Pine Lodge, #26 Pine Road, St. Michael, Barbados, W.I. BB 11112	28662	Ordinary	100%	100%
Smartmatic Project EP	Pine Lodge, #26 Pine Road, St. Michael, Barbados, W.I. BB 11112	32923	Ordinary	100%	100%
Smartmatic Latam Corporation	Pine Lodge, #26 Pine Road, St. Michael, Barbados, W.I. BB 11112	36714	Ordinary	100%	100%
Smartmatic Optics Corporation	Torre de las Americas, Torre A, Piso 19, calles Punta Darien y Punta Coronado, Urb. Punta Pacifica, Distrito Panama, Republica de Panama.	684683	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.	750640	Ordinary	100%	100%
HiSoft Panama, S.A.	Registro 1° DTTO CAP y Miranda No.22 Tomo 360A – Pro 1997	750640	Ordinary	100%	100%
Tecnologia Smartmatic de Venezuela, C.A.	Centro Banaven (Cubo Negro), Torre C, Piso 6 Ofic. B-63-01, Avenida La Estancia, Chuao, Caracas 1060-RB Venezuela 1A	Registro 4° OTTO CAP No.25 Torno 63 A Cto 2009.	Ordinary	100%	100%
Smartmatic Labs, C.A.	Pine Lodge, #26 Pine Road, St. Michael, Barbados, W.I. BB 11112	25239	Ordinary	100%	100%
Smartmatic Services Corporation	Pine Lodge, #26 Pine Road, St. Michael, Barbados, W.I. BB 11112	24285	Ordinary	100%	100%
Smartmatic International Corporation	7F., No.276, Jianguo Rd., Sindian City, Taipei County, Taiwan (R.O.C.)	29152146	Ordinary	100%	100%
Smartmatic Taiwan Corporation	Kings Court Building 2, 2129 Don Chino Rocas Ave., Makati City, Metro Manila 16th floor, Accralaw Tower, Second	CS2009123 59	Ordinary	90%	100%
1920 Business Inc.	Avenue Corner 30th Street, Crescent Park West, Bonifacio Global City, 0399 Taguig Metro Manila, Philippines 16th floor, Accralaw Tower, Second	CS2009104 29	Ordinary	100%	90%
Smartmatic TIM Corporation	Avenue Corner 30th Street, Crescent Park West, Bonifacio Global City, 0399 Taguig Metro Manila, Philippines	CS2015160 97	Ordinary	40%	40%
Smartmatic TIM Corporation 2016	Ülikool tn 2, Tartu city, Tarty County, 51003, Estonia	12679959	Ordinary	40%	40%

*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

14 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:	2017 US\$000	2016 US\$000
Intra-group profit	5,371	5,395
Provisions	20	126
Property, plant and equipment	14	-
Unrealised foreign exchange gains	(2,188)	(3,107)
Other liabilities	(62)	(92)
Tax losses	1,030	831
	<u>4,185</u>	<u>3,153</u>
Deferred tax assets		

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 2017 US\$000
Provisions	126	-	(10)	(96)	20
Property, plant and equipment	-	-	(7)	21	14
Intra-group profit	5,395	-	-	(24)	5,371
	<u>5,521</u>	<u>-</u>	<u>(17)</u>	<u>(99)</u>	<u>5,405</u>
Temporary differences:					
Tax losses	831	3	(59)	255	1,030
	<u>6,352</u>	<u>3</u>	<u>(76)</u>	<u>156</u>	<u>6,435</u>
Deferred tax asset					
Deferred tax liabilities:					
Other liabilities	(92)	(19)	(82)	131	(62)
Unrealised foreign exchange gains	(3,107)	-	757	162	(2,188)
	<u>(3,199)</u>	<u>(19)</u>	<u>675</u>	<u>293</u>	<u>(2,250)</u>
Deferred tax liability					
Net deferred tax asset	<u>3,153</u>	<u>(16)</u>	<u>599</u>	<u>449</u>	<u>4,185</u>

Notes to the consolidated financial statements (continued)

14 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:

	2017 US\$000	2016 US\$000
Charitable donations	1,151	8,284
Tax losses	53,464	45,975
	<hr/>	<hr/>
Deferred tax assets	54,615	54,259
	<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.

15 Inventories

	2017 US\$000	2016 US\$000
Raw materials and consumables	384	382
Finished goods, net	1,801	6,200
	<hr/>	<hr/>
	2,185	6,582
	<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 (2016: US\$ nil).

The cost of inventories recognised as an expense during the year in respect of continuing operations was US\$40m (2016: US\$8m).

Notes to the consolidated financial statements (continued)

16 Trade and other receivables

	2017 US\$000	2016 US\$000
Trade receivables	4,608	105,170
Amounts due from parent	47	1,227
Other receivables	17,944	5,841
Advance to vendors	3,511	5,316
Prepayments	409	6,415
Guarantee deposits	331	788
Pre-contract costs	2,493	2,807
Other taxes receivable	13,830	10,528
	<u>43,173</u>	<u>138,092</u>
Non-current	5,080	13,068
Current	<u>38,093</u>	<u>125,024</u>

Advance to vendors

The Group grants advances to its suppliers to acquire goods and services during the course of business. As of 31 December 2017 and 2016, the Group has granted advances for US\$3,511,000 and US\$5,316,000 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 2017 and 2016, the Group maintains non-interest bearing loans receivable from employees for approximately US\$10,000 and US\$229,000 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 2017 and 2016, both the VAT and withholding tax are mainly generated by operations in Venezuela and the Philippines.

Pre-contract costs

Pre-contract costs for US\$2,493,000 (2016: US\$2,807,000) 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 2017 a total of \$314,000 was amortised (2016: \$314,000).

Notes to the consolidated financial statements (continued)

17 Cash and cash equivalents

	2017 US\$000	2016 US\$000
Cash and cash equivalents	70,360	29,140
Restricted cash	30	5,147
Short term investment	-	762
Total cash and cash equivalents	70,390	35,049

As of 31 December 2017 and 2016, 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.

18 Assets available for sale

	2017 US\$000	2016 US\$000
Assets classified as held for sale		
Inventory	17,605	17,659

Assets held for sale includes equipment for which there was an option to sell in relation to the COMELEC contract.

Notes to the consolidated financial statements (continued)

19 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.

	2017 US\$000	2016 US\$000
Non-current liabilities		
Secured bank loans	1,222	1,892
Current liabilities		
Current portion of secured bank loans	7,685	1,374

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Face value 2017 US\$000	Carrying amount 2017 US\$000	Face value 2016 US\$000	Carrying amount 2016 US\$000
Banistmo loan	US\$	LIBOR +4	2020	1,136	1,136	1,575	1,575
Banistmo loan	US\$	LIBOR +4	2021	759	759	990	990
Banco Nacional de Credito	VEB	24%	2016	-	-	701	701
Banco del Tesoro	VEB	24%	2019	12	12	-	-
Santander UK Plc	US\$	LIBOR+ 2.27%	2018	7,000	7,000	-	-
				8,907	8,907	3,266	3,266

The loans are secured by pledged over commercial office units with a carrying amount of approximately US\$ 6,750,000.

Santander UK plc is a revolving credit facility for US\$15,000,000. As of 31 December 2017 the total drawdown is US\$7,000,000.

20 Trade and other payables

	2017 US\$000	2016 US\$000
Current		
Trade and other payables	5,526	4,196
Amount due to parent	128	1,811
Employee benefits (refer to note 21)	4,072	5,649
Social security and other taxes	2,842	168
Accrued expenses	6,590	9,172
	19,158	20,996

Notes to the consolidated financial statements (continued)

21 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
31 December 2017	Equity	332,724	100% vested at grant date	31 December 2017	1.05

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

	Weighted average exercise price 2017	Number of options 2017	Weighted average exercise price 2016	Number of options 2016
Outstanding at the beginning of the year	0.01	4,792,629	0.01	79,257
Forfeited during the year	-	-	-	(2,655)
Exercised during the year	-	-	-	(480,346)
Granted during the year	0.01	332,724	0.01	5,196,373
Outstanding at the end of the year	0.01	4,459,905	0.01	4,792,629
Exercisable at the end of the year	0.01	4,459,905	0.01	4,792,629

The weighted average share price at the date of exercise of share options exercised during the year was US\$0.01 (2016: 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)

21 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:

	2017	2016
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:

	2017 US\$000	2016 US\$000
Equity settled share based payment expense	355	5,477

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.

22 Deferred revenue

	2017 US\$000	2016 US\$000
Current		
Venezuela	-	993
Sierra Leone	691	2,400
Rest of the World	-	66
	<u>691</u>	<u>3,459</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)

23 Provisions

Provisions are made in respect of warranties for existing revenue contracts, and are offered for 12 months after the end of the associated contract.

	2017 US\$000	2016 US\$000
Balance at 1 January 2017	10,910	3,225
Provisions made during the year	2,731	8,526
Provisions reversed during the year	(10,335)	(841)
Balance at 31 December 2017	3,306	10,910

24 Capital and reserves

Share capital

	2017 US\$000	2016 US\$000
<i>Allotted, called up and fully paid</i> 3 ordinary shares of £1 each	-	-

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.

Notes to the consolidated financial statements (continued)

25 Financial instruments (continued)

25 (a) Fair values of financial instruments (continued)

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:

	Carrying amount	Fair value	Carrying amount	Fair value
	2017 US\$000	2017 US\$000	2016 US\$000	2016 US\$000
Loans and receivables				
Cash and cash equivalents (note 17)	70,390	70,390	35,049	35,049
Trade and other receivables (note 16)	43,173	43,173	138,092	138,092
Available for sale investments				
Other financial assets (note 12) – Level 2	4,903	4,903	4,903	4,903
Total financial assets	118,466	118,466	178,044	178,044
Financial liabilities measured at amortised cost				
Other interest-bearing loans and borrowings (note 19)	8,907	8,907	3,266	3,266
Trade and other payables (note 20)	19,158	19,158	20,990	20,990
Income tax repayable	972	972	4,290	4,290
Provisions (note 23)	3,306	3,306	10,910	10,910
Total financial liabilities	32,343	32,343	39,462	39,462
Total financial instruments	86,123	86,123	138,582	138,582

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:

	2017 US\$000	2016 US\$000
Venezuela	1,574	80,417
Philippines	5,131	16,472
Brazil	514	522
Haiti	1,800	10,013
Mexico	180	193
Argentina	1,395	-
Pakistan	647	-
Rest of the World	1,897	2,443
	<u>13,138</u>	<u>110,060</u>

As presented in the geographical credit risk analysis above, the group has diversified its risk compared to 2016, where there were US\$80.4 million of receivables in respect to operations in Venezuela, of which US\$78.5 million were denominated in US dollars. During 2017 US\$51.6 million was paid. Due to the current economic climate in Venezuela, the company decided to fully provide for all unpaid balances from this location.

The group also received US\$8.3 million from a project completed in Haiti (total value US\$10 million). The remaining balance has also been provided in full as at December 2017.

Notes to the consolidated financial statements (continued)

25 Financial instruments (continued)

25 (b) Credit risk (continued)

Credit quality of financial assets and impairment losses

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

	Gross 2017 US\$000	Impairment 2017 US\$000	Gross 2016 US\$000	Impairment 2016 US\$000
Not past due (0 – 30 days)	869	-	9,168	-
Past due 31- 60 days	1,146	-	1,080	-
Past due 61- 90 days	288	-	-	-
More than 91 days	10,835	(8,530)	99,812	(4,890)
	<u>13,138</u>	<u>(8,530)</u>	<u>110,060</u>	<u>(4,890)</u>

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

	2017 US\$000	2016 US\$000
Balance at 1 January	4,890	6,039
Impairment loss recognised	3,710	810
Impairment loss reversed	(70)	(1,959)
Balance at 31 December	<u>8,530</u>	<u>4,890</u>

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:

Notes to the consolidated financial statements (continued)

25 (c) Liquidity risk (continued)

2017	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 19)	8,907	8,907	7,685	673	549	-
Trade and other payables (note 20)	19,158	9,158	9,158	-	-	-
Provisions (note 23)	3,306	3,306	3,306	-	-	-
		<u>21,371</u>	<u>20,149</u>	<u>673</u>	<u>549</u>	
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 19)	3,266	3,266	1,374	673	1,219	-
Trade and other payables (note 20)	20,996	20,996	20,996	-	-	-
Provisions (note 23)	10,910	10,910	10,910	-	-	-
		<u>35,172</u>	<u>33,280</u>	<u>673</u>	<u>1,219</u>	<u>-</u>

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	
	2017	2016	2017	2016
Venezuelan Bolivars	71,105,031,713	10,803,692,232	61,913,007,177	7,711,638,207
Philippine Pesos	652,547,134	680,693,527	1,660,696,045	2,423,101,828
Euros	9,731,114	553,843	24,381,970	2,704,998
Mexican Pesos	6,353,938	3,306,136	17,266,163	21,039,650
Sterling Pound	8,025,796	5,114,541	12,421,487	8,349,216
Colombian Pesos	12,117,709,076	5,637,989,475	12,521,747,108	5,476,759,070
Taiwanese Dollars	8,506,849	11,389,422	46,535,636	141,378,547
Hong Kong Dollars	45,000	52,971	24,814	24,814
Rupees	664,768	966,992	15,229,490	16,038,735
Brazilian Reais	111,443	7,398	1,457,499	7,803,291
Haitian Gourdes	52,641,666	4,899,846	14,884,281	10,949,527
Pesos Argentinos	10,939,699	1,048,150	35,554,332	3,396,659
Dirham de los Emiratos Arabes Unidos	323,059	155,463	161,032	159,441
Singapore dollars	102,789	-	10,178	-
Pakistani Rupee	48,525,895	-	78,360,254	-
Coronas Danesas	1,413,998	-	473,124	-

Notes to the consolidated financial statements (continued)

25 Financial instruments (continued)

25 (d) Market risk (continued)

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.

	2017 Impact original currency	Impact in US\$	% of change in exchange rate	2016 Impact original currency	Impact in US\$	% of change in exchange rate
Sterling Pound	(6,033,250)	(8,225,130)	(1.15%)	(2,504,717)	(3,275,891)	10.71%
Rupees	302,319	4,456	5.03%	(205,340)	(2,968)	1.02%
Taiwanese dollars	(1,233,535)	(38,484)	4.30%	(16,646,140)	(2,124,096)	(0.35%)
Euros	11,043,185	13,235,257	0.14%	(48,423)	(57,954)	(1.70%)
Brazilian Reais	(378,415)	(101,850)	3.86%	(2,425,783)	(737,379)	0.14%
Mexican Pesos	(561,489)	(27,513)	(0.54%)	(878,633)	(42,173)	1.25%
Philippine Pesos	45,254,640	769,860	(7.62%)	(39,893,118)	(789,664)	(2.47%)
Colombian Pesos	9,286,013	3,230	(4.22%)	783,510	273	(1.33%)
Hong Kong dollars	8,741	1,107	0.67%	9,996	1,277	57.95%
Venezuelan Bolivars	145,845	2	1686.50%	(1,127,886)	(564)	(0.26%)
Haitian Gourdes	632,240	9,796	(0.29%)	(66,332)	(972)	0.61%
Argentinian Pesos	(1,002,892)	(33,208)	33.91%	2,348,509	(148,263)	(0.86%)
Dirham	665,170	178,389	(0.24%)	3,978	23,105	(0.04%)
Pakistan Rupees	(243,970)	(2,107)	3.89%	-	-	-
Singapore dollars	69,735	51,656	(0.17%)	-	-	-

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.

Notes to the consolidated financial statements (continued)

25 Financial instruments (continued)

25 (d) Market risk (continued)

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 2017 would decrease by US\$ 134,000 (2016: US\$ 49,000 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 2017 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:

	2017 US\$000	2016 US\$000
Less than one year	1,921	2,584
Between one and five years	989	2,466
More than five years	-	635
	<u>2,910</u>	<u>5,685</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\$2,295,000 was recognised as an expense in the income statement in respect of operating leases (2016: US\$1,694,000).

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.

Notes to the consolidated financial statements *(continued)*

28 Related parties

Transactions with key management personnel

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

	2017 US\$000	2016 US\$000
Key management emoluments	6,528	962
Share related awards	-	5,058
	<u>6,528</u>	<u>6,020</u>

Other related party transactions

Certain family members of Antonio José Mugica Rivero and Roger Alejandro Piflate, 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 \$652,000 (2016: US\$1,264,179).

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 SGO Corporation N.V., incorporated in Curacao. The registered address of SGO Corporation N.V. is Schottegatweg Oost 44, 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.

Company Balance Sheet
at 31 December 2017

	Note	2017 £000	2017 £000	2016 £000	2016 £000
Fixed assets					
Tangible Assets	3		172		24
Other Receivables			-		3
Investments	4		109,174		109,174
			<u>109,346</u>		<u>109,201</u>
Current assets					
Debtors	5	18,604		3,466	
Cash at bank and in hand		514		81	
		<u>19,118</u>		<u>3,547</u>	
Creditors: amounts falling due within one year	6	(21,245)		(5,663)	
Net current liabilities			<u>(2,127)</u>		<u>(2,116)</u>
Total assets less current liabilities			<u>107,219</u>		<u>107,085</u>
Net assets			<u>107,219</u>		<u>107,085</u>
Capital and reserves					
Called up share capital	7		-		-
Share Premium			68		68
Merger Reserve			80,414		80,414
Share based payments reserves			432		432
Profit and loss account			<u>26,305</u>		<u>26,171</u>
Shareholder's funds			<u>107,219</u>		<u>107,085</u>

The notes on pages 52 to 55 form part of these financial statements.

These financial statements were approved by the board of directors on 2 July 2018 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 2017

	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 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
Loss for the year	-	-	-	-	134	134
Balance at 31 December 2017	-	68	80,414	432	26,305	107,219

The notes on pages 52 to 55 form part of these financial statements

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 s408 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
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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

	2017	2016
	£000	£000
Directors' emoluments	557	704

3 Tangible fixed assets

	Leasehold Improvements £000	Furniture & Fixtures £000	Assets under construction £000	Total £000
Cost				
At beginning of year	257	50	-	307
Additions	-	-	170	170
At end of year	257	50	170	477
Depreciation				
At beginning of year	233	50	-	283
Charge for year	22	-	-	22
At end of year	255	50	-	305
Net book value				
At 31 December 2017	2	-	170	172
At 31 December 2016	24	-	-	24

Notes to the Company financial statements (continued)

4 Fixed asset investments

	Shares in group undertakings £000
Cost and Net book value	
At 31 December 2017	109,174
At 31 December 2016	109,174

The entities subsidiaries are listed in the Group accounts see page 33-34.

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

5 Debtors

	2017 £000	2016 £000
Prepayments	34	83
Amounts owed by group undertakings	18,248	3,300
Advance to vendors	12	-
Prepaid taxes	-	82
Other debtors	310	1
	<u>18,604</u>	<u>3,466</u>

All intercompany balances are repayable on demand, with no interest charge.

6 Creditors: amounts falling due within one year

	2017 £000	2016 £000
Trade creditors	98	64
Amounts owed to group undertakings	15,602	5,219
Other creditors	5,252	-
Accruals	293	380
	<u>21,245</u>	<u>5,663</u>

All intercompany balances are repayable on demand, with no interest charge.

Notes to the Company financial statements (continued)

7 Called up share capital

	2017 £000	2016 £000
Allotted, called up and fully paid	-	-
3 Ordinary shares of £1 each	-	-