

SGO Corporation Limited

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

31 December 2019



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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.

Merger

On 27 March 2019, SGO Corporation Limited merged with its ultimate parent company, SGO Corporation S.A. From this date the two companies have operated as a single entity called SGO Corporation Limited, which is the Ultimate Parent Company of the Group.

Prior year adjustment

We identified an adjustment to prior year comparatives which has been amended in this set of financial statements. Refer to note 3 for further detail.

Review of business and outlook

SGO Corporation Limited's total consolidated revenue for 2019 was US\$144 million (2018 restated: US\$119 million), primarily generated from its subsidiaries in USA, Argentina, the Netherlands, and Philippines. Election Products and Services constituted the main source of these revenues. The consolidated revenue for 2019 increased by \$25 million from 2018. The increase came because of electoral services and the contract with the LA County in the USA. Total costs of sales amounted to US\$90 million (2018 restated: US\$68 million) resulting in a total gross profit of US\$54 million (2018 restated: US\$51 million). Total loss after tax for the Group amounted to US\$17 million (2018 restated: loss after tax of US\$8 million). The loss was caused by a verity of reasons including; the impact of expensing some development costs which don't meet the criteria for capitalisation, the impairment of some receivables, delay of projects in Europe and other locations, and the impact of the income tax due to higher revenues in the United States and Argentina.

As at 31 December 2019 the Group has consolidated current assets of US\$227 million (2018 restated: US\$140 million) and net assets of US\$101 million (2018 restated: US\$ 119 million).

The 2020 financial outlook shows continuity in revenues, although the COVID-19 virus has affected the electoral activity taking place in the marketplace. New opportunities in other business lines, such as medical supplies, are being pursued to help sustain the revenue growth in future years.

Review of operations

The Group has presence in 23 countries, with major operations in the United States, the Netherlands and Philippines.

During 2019, the Group completed projects in USA, Belgium, Philippines and Argentina. The Group improved its operation in USA, Latin America and Asia Pacific to be able to compete widely in the electoral market in those regions.

Also, during 2019, the Group continued to invest in new lines of businesses to enhance new business opportunities and in the other start-ups. 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
- Folio: Digital identity

Strategic report (continued)

Review of operations (continued)

The Group has investments in:

- Airlabs: The development and deployment of Air Pollution cleaning, visualization and sensor technologies.
- Infuser: Air pollution cleaning technologies for the industrial sector

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.

Ongoing development of the SGO Corporation group technologies: The Group has built a reputation for innovation in electronic voting industry. It is important to the continued success of the Group to keep investing in initiatives to improve the system and technology offered to the customers. The Group will work to continue investing in research and development to ensure this continuity.

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 has a range of Key Performance Indicators (KPI's) to monitor performance and progress towards strategic objectives. The principle 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.

Section 172 statement

The Directors understand and appreciate their duty under s.172 of the Companies Act 2006 to act in the way in which they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and, in doing so, to have regard (amongst other matters) to:

- the likely consequences of any decision in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly between members of the Company, (the "s.172(1) Matters"). The Board meet on a regular basis at which they are reminded of the s.172(1) matters.

Strategic report (continued)

Section 172 statement (continued)

Examples of situations in which the Directors have had regard to the s.172(1) include their attendance at meetings of subsidiary Board meetings, including in particular that of Smartmatic USA Corp; the regular and ongoing review of the strategic challenges and opportunities presented by the Groups' investment portfolio, and the emerging technological landscape in which the Group's products and services are being delivered; the need to ensure that the Group international structure continues to remain aligned with the financial reporting obligations appropriate to the Group, and the requirement to ensure that the organisational management and reporting lines are optimised to provide for the most efficient allocation of Group resources.

COVID - 19 impact

The recent downturn in the core market caused by the deferral or postponement of a number of elections arising from the outbreak of the COVID-19 (Coronavirus) continues to impact the global economy and markets. It is uncertain how these events will develop and what the impact will be on our operations, financial performance and liquidity. At this time, the effects of COVID-19 on our business have been important, and the Group is implementing cost restrictions and developing new strategies to face the situation. The Group has also identified areas where it can provide additional products and services to support safe, in-person voting activity in those jurisdictions where in-person voting remains in place. However, these events may negatively impact the Group and our liquidity. Accordingly, we are closely evaluating the recent developments and will take necessary actions. Contingency actions are being implemented and closely monitored. Based on our current knowledge and available information, we do not expect COVID-19 to have an impact on our ability to continue as a going concern in the future.

By order of the board



Antonio Jose Mugica Rivero
Director

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

15 September 2020

Directors' report

The Board of Directors present their directors' report and financial statements for the year ended 31 December 2019.

Dividend

The directors have declared and paid a final ordinary dividend in respect of the current financial year of US\$ nil (2018: \$ nil).

Directors

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

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

Political donations

Neither the Company nor any of its subsidiaries made any political donations during the year (2018: US\$ nil).

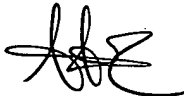
Disclosure of information to auditor

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

15 September 2020

**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 financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare the group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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, reliable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 2019 which comprise the consolidated income statement, 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 2019 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;
- the parent company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; 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

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group and the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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 a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the group's business model and analysed how those risks might affect the group and company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the company will continue in operation.

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.

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

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
- 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 7, 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.

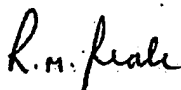
Auditor's responsibilities

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
15 September 2020

Consolidated Income Statement
for year ended 31 December 2019

	<i>Note</i>	2019	2018
		US\$000	Restated*
			US\$000
Revenue	4	144,042	119,227
Cost of sales		(89,966)	(67,802)
Gross profit		54,076	51,425
Operating expenses		(51,160)	(45,893)
Gain on disposal of a subsidiary	14	-	7,973
Other income	5	1,428	563
Other expenses	5	(9,450)	(12,710)
Foreign exchange rate loss		(2,914)	(3,316)
Operating loss	6	(8,020)	(1,958)
Financial income	9	558	809
Financial expenses	9	(1,671)	(266)
Net financing (expense)/income		(1,113)	543
Share of profit of joint venture	15	-	-
Share of loss of equity-accounted investees, net of tax	16	(660)	(588)
Loss before tax		(9,793)	(2,003)
Taxation	10	(7,328)	(5,643)
Loss for the year		(17,121)	(7,646)
Attributable to:			
Equity holders of the parent		(17,349)	(7,498)
Non-controlling interest		228	(148)
Loss for the year		(17,121)	(7,646)

All profits are attributed to continuing operations.

The notes on pages 16 to 57 form an integral portion of these financial statements

*See Note 3 for further detail

Consolidated Statement of Comprehensive Income
for year ended 31 December 2019

	2019 US\$000	2018 Restated*
Loss for the year	(17,121)	(7,646)
Other comprehensive income		
<i>Items that are or may be recycled subsequently to profit or loss:</i>		
Foreign currency translation differences	313	669
	<u>(16,808)</u>	<u>(6,977)</u>
Attributable to:		
Equity holders of the parent	(16,999)	(8,142)
Non-controlling interest	191	1,165
	<u>(16,808)</u>	<u>(6,977)</u>

The notes on pages 16 to 57 form an integral portion of these financial statements.

*See Note 3 for further details.

Consolidated Balance Sheet
at 31 December 2019

	<i>Note</i>	2019	2018
		US\$000	Restated* US\$000
Non-current assets			
Property, plant and equipment	11	10,361	7,938
Intangible assets	12	9,720	9,252
Other investments	13	5,476	5,007
Investment in joint ventures	15	-	-
Investment in associate	16	2,651	3,312
Other receivables	19	4,543	5,187
Deferred tax assets	17	804	583
		33,555	31,279
Current assets			
Inventories	18	9,694	2,818
Trade and other receivables	19	158,242	64,617
Cash and cash equivalents	20	59,290	72,080
		227,226	139,515
Total assets		260,781	170,794
Current liabilities			
Other interest-bearing loans and borrowings	21	46,463	870
Trade and other payables	22	52,675	39,875
Deferred revenue	23	52,716	6,590
Income tax payable		5,849	2,498
Provisions	24	47	1,214
		157,750	51,047
Non-current liabilities			
Deferred tax liabilities	17	-	1
Other interest-bearing loans and borrowings	21	1,758	541
		1,758	542
Total liabilities		159,508	51,589
Net assets		101,273	119,205


Consolidated Balance Sheet (continued)

	<i>Note</i>	2019	2018
		US\$000	Restated US\$000
Equity attributable to equity holders of the parent			
Share capital	25	1,093	-
Share premium		110	110
Share based payment reserves		16,879	16,879
Translation reserves		(61,767)	(62,117)
Merger reserve		9,928	12,145
Retained earnings		134,294	151,643
		<hr/>	<hr/>
Non-controlling interest		736	545
		<hr/>	<hr/>
Total equity		101,273	119,205
		<hr/>	<hr/>

*See Note 3 for further detail

The notes on pages 16 to 57 form an integral portion of these financial statements

These financial statements were approved by the board of directors on 15 September 2020 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 2019

	Share capital US\$000	Share premium US\$000	Translation reserve US\$000	Share based payments reserve US\$000	Merger 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 2017	-	12,255	(61,398)	16,879	-	159,058	126,794	691	127,485
Restatement of reserves*	-	(12,145)	-	-	12,145	-	-	-	-
Balance at 31 December 2017 (restated*)	-	110	(61,398)	16,879	12,145	159,058	126,794	691	127,485
Total comprehensive income	-	-	-	-	-	-	-	-	-
Loss for the year (restated*)	-	-	-	-	-	(7,498)	(7,498)	(148)	(7,646)
Foreign currency translation differences (restated*)	-	-	(719)	-	-	75	(644)	1,313	669
Total comprehensive income for the period (restated*)	-	-	(719)	-	-	(7,423)	(8,142)	1,165	(6,977)
Transactions with owners, recorded directly in equity									
Impact of Airlabs deconsolidation (restated*)	-	-	-	-	-	8	8	(1,311)	(1,303)
Total transactions with owners (restated*)	-	-	(719)	-	-	(7,415)	(8,134)	(146)	(8,280)
Balance at 31 December 2018 (Restated*)	-	110	(62,117)	16,879	12,145	151,643	118,660	545	119,205
Total comprehensive income	-	-	-	-	-	-	-	-	-
Loss for the year	-	-	-	-	-	(17,349)	(17,349)	228	(17,121)
Foreign currency translation differences	-	-	350	-	-	-	350	(37)	313
Total comprehensive income for the period	-	-	350	-	-	(17,349)	(16,999)	191	(16,808)
Transactions with owners, recorded directly in equity									
Accounting for merger with SGO Corp S.A.**	1,421	-	-	-	(2,545)	-	(1,124)	-	(1,124)
Reduction in nominal value of share capital**	(328)	-	-	-	328	-	-	-	-
Total transactions with owners	1,093	-	350	-	(2,217)	(17,349)	(18,123)	191	(17,932)
Balance at 31 December 2019	1,093	110	(61,767)	16,879	9,928	134,294	100,537	736	101,273

*See Note 3 for further detail.

**See Note 25 for further detail.

The notes on pages 16 to 57 form an integral part of these financial statements.

Consolidated Cash Flow Statement
for year ended 31 December 2019

	Note	2019 US\$000	2018 Restated* US\$000
Cash flows from operating activities			
Loss for the year		(17,121)	(7,646)
Adjustments for:			
Depreciation, amortisation and impairment	6	8,333	2,289
Bad debts allowance	6	2,565	1,711
Unrealised foreign exchange movements		(3,873)	3,534
Reversal of bad debts allowance	6	(180)	(222)
Loss on translation of deferred tax assets	17	-	32
Taxation	10	7,328	5,643
Finance income	9	(543)	(1,329)
Finance expense	9	1,529	780
Loss on disposal of investment		-	(2,725)
Share of loss of equity accounted investees		660	588
Movement in trade and other receivables	19	(99,120)	(26,630)
Movement in inventories	18	(6,876)	(633)
Movement in trade and other payables	22	12,800	20,429
Movement in provision	24	(1,167)	(2,092)
Movement in deferred revenue	23	46,126	5,898
Interest paid	9	(1,529)	(580)
Tax paid		(3,511)	(5,047)
Net cash from operating activities		(54,579)	(6,000)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		-	1,519
Acquisition of property, plant and equipment	11	(122)	(389)
Acquisition of other intangible assets	12	-	(5,444)
Increase in investment in subsidiary		-	(104)
Acquisition of investment in associate		-	(3,900)
Proceeds from disposal of a subsidiary		-	1
Disposal of intangible assets		-	1,607
Interest received	9	543	320
(Increase)/Decrease in assets held for sale		(469)	17,605
Movement in right of use assets		(1,297)	-
Repayment of loan to associate		-	3,972
Net cash from investing activities		(1,345)	15,187
Cash flows from financing activities			
Issue of new debt	21	43,997	-
Repayment of borrowings	21	(863)	(7,496)
Net cash from financing activities		43,134	(7,496)
Net decrease in cash and cash equivalents		(12,790)	1,691
Cash and cash equivalents at 1 January	20	72,080	70,389
Cash and cash equivalents at 31 December	20	59,290	72,080

*See Note 3 for further detail.

The notes on pages 16 to 57 form an integral part 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 2019. 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.

1.3 Going concern

During the year, the Group made a consolidated loss after tax of \$17,121k (2018 restated: \$7,646k), although continues to remain in a consolidated net asset position of \$101,274k (2018 restated: \$119,205k), with a cash balance of \$59,290k (2018: \$72,080k)

A global health emergency was declared by the World Health Organisation (WHO) on 30 January 2020 in response to the outbreak of a strain of coronavirus (COVID-19) initially in Hubei province, China. On 11 March 2020, the WHO designated the virus outbreak a pandemic following its spread around the world. Governments around the world have taken unprecedented measures to limit the spread of the virus, with the response evolving as more information becomes available. These measures impact the activities of the Group to a varying extent.

The Directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements, which indicate that, taking account of severe but plausible downsides and the anticipated impact of COVID-19 on the operations and its financial resources, the Group will have sufficient funds to meet its liabilities as they fall due for that period.

Severe but plausible downsides include considering only revenue and costs for signed contracts as at the date of the audit report, excluding any potential government aid that may be available to ease staff costs in the coming years. The Group has also considered the impact of delays to committed contracts and has identified cost-saving measures that could be implemented if required to mitigate the impact of any delays to contracts. The Group is also committed to protecting the liquidity of the business in the event that local governments impose additional lockdown restrictions, and will therefore continue to monitor spend over discretionary costs.

During 2020 the Group repaid its outstanding debt over two Revolving Credit Facilities with Barclays Plc and Santander Ltd. A new facility has been negotiated in 2020 of \$15 million, and the Group has included repayment of this facility in its cash flow forecasts when assessing Going Concern. The Group does not anticipate the need to secure additional financing during the period of assessment, but will continue to monitor this as the economic climate progresses post-lockdown. There are no bank covenants attached to this new credit facility.

Having reviewed the Group's current trading and forecasts, together with sensitivities and mitigating factors and the available facilities, the Directors have reasonable expectations that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue 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 (forming part of the financial statements)

1.4 Basis of consolidation (continued)

Change in subsidiary ownership and loss of control

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Where the Group loses control of a subsidiary, the assets and liabilities are derecognised along with any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is re-measured at fair value when control is lost.

Joint Operations

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.

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.

Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the translation reserve or non-controlling interest, as the case may be. When a foreign operation is disposed of, such that control, joint control or significant influence (as the case may be) is lost, the entire accumulated amount in the translation reserve, net of amounts previously attributed to non-controlling interests, is recycled to profit or loss as part of the gain or loss on disposal.

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

Notes to the consolidated financial statements *(continued)*

1 *Accounting policies (continued)*

1.6 *Classification of financial instruments issued by the Group*

Policy effective from period beginning 1 January 2019

(i) **Recognition and initial measurement**

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) **Classification and subsequent measurement**

Financial assets

(a) *Classification*

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Investments in joint ventures, associates and subsidiaries are carried at cost less impairment or accounted for using the equity method.

Cash and cash equivalents

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

(b) *Subsequent measurement and gains and losses*

Financial assets at FVTPL - these assets (other than derivatives designated as hedging instruments) are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost - These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Notes to the consolidated financial statements (continued)

1 Accounting policies (continued)

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

Debt investments at FVOCI - these assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI - these assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial liabilities and equity

Financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

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

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

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Intra-group financial instruments

Where the company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company considers these to be insurance arrangements and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

(iii) Impairment

The company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost, debt investments measured at FVOCI and contract assets (as defined in IFRS 15).

The company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, which are measured as 12-month ECL.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company's historical experience and informed credit assessment and including forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the company is exposed to credit risk.

Notes to the consolidated financial statements *(continued)*

1 *Accounting policies (continued)*

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

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

1.6 *Classification of financial instruments issued by the Group – policy up to 31 December 2018*

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:

- (c) 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
- (d) 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

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.

Notes to the consolidated financial statements *(continued)*

1 *Accounting policies (continued)*

a. *Classification of financial instruments issued by the Group – policy up to 31 December 2018 (continued)*

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.

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.

1.7 *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)*

1.8 *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.

1.9 *Intangible assets*

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

Where the Group has been developing new product lines the costs of the software to deliver these have been capitalised once it has met the requirements as per IAS 38. It will then start to be amortised from the period the product is ready for use.

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.

1.10 *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.

1.11 *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)

Non-financial 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 goodwill allocated 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.

1.12 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 service 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)*

1.13 *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.

1.14 *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.

1.15 *Revenue*

The Group recognises revenue upon the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. In accordance with IFRS 15 the company recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

The Group recognises revenue from the following major sources:

Provision of services

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

- Fees are recognised 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

Sale of goods and equipment

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

- The Group has transferred to the buyer the significant risks and rewards of ownership of goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over 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.

Revenue from both the sale of goods, and the provision of services, is recognised over time to the extent that:

- The customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs, and another entity would not need to substantially re-perform the work that the entity has completed to date (routine or recurring services).

Notes to the consolidated financial statements *(continued)*

1 *Accounting policies (continued)*

1.15 *Revenue (continued)*

- The entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date (building a specialised asset that only the customer can use, or building an asset to a customer order).

If the above criteria are not considered to be met, then the Group recognises revenue at the point in time of which the transfer of control is transferred to the customer.

1.16 *Leases*

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17.

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

At commencement or on modification of a contract that contains a lease component, along with one or more other lease or non-lease components, the Group accounts for each lease component separately from the non-lease components. The Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price and the aggregate stand-alone price of the non-lease components.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred [and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located], less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise,
- lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

Notes to the consolidated financial statements *(continued)*

1 *Accounting policies (continued)*

1.16 *Leases (continued)*

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for lease of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

1.17 *Expenses*

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 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.

1.19 *Adopted IFRS not yet applied*

The following Adopted IFRSs have been issued but have not been applied by the Group in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

- IFRIC 23 Uncertainty over Income Tax Treatments (effective date to be confirmed).
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (effective date to be confirmed).
- Amendments to References to the Conceptual Framework in IFRS Standards (effective date to be confirmed).
- Annual Improvements to IFRS Standards 2015-2018 Cycle (effective date to be confirmed).
- The Directors are considering the impact of these newly issued standards upon the results of the Group.

Notes to the consolidated financial statements *(continued)*

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.

Judgements

Capitalisation of development costs

Capitalisation of development costs relates to capitalisation of costs used for the development of software not yet ready for use across some of the subsidiaries of the Group. The Group exercises judgement regarding the appropriateness of capitalisation of development costs based upon the Group's ability to meet the recognition criteria prescribed by IFRS. Owing to the inherent uncertainty of forecasting future cash flows within an entity with no contracted future revenue, the ultimate carrying value of the resulting intangible assets is subject to material uncertainty in the financial statements.

Estimates

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:

Revenue recognition in long-term contracts

Long term contract accounting requires the Group, at the outset of the contract, to make an estimate of total expected costs, which then drives revenue recognition over time. Currently the Group is only operating with one such contract, whereby the Group regularly assesses actual costs to date against budgeted costs. As at year end, no significant variations from the original budget have been identified, and the Group continues to expect that the contract will remain profitable. However, given the length of time over which long-term contracts span this is considered to be a significant estimate to the Group.

Inventory valuation

Inventory is held at the lower of cost and net realisable value. The group hold some inventory lines in advance of a confirmed contract for sale, the Group are therefore required to estimate the net realisable value achievable for these products based upon past contracts and the sales in the pipeline. At year end the value of inventory held by the Group was significant and the valuation, impacted heavily by sales price, is considered to have a significant effect on the consolidated financial statements.

Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Notes to the consolidated financial statements *(continued)*

3 *Prior year adjustments*

As disclosed in note 14, during 2018 the Group disposed of its 100% ownership interest in the Airlabs Limited Group, such that the Group lost control of Airlabs Limited. As part of this transaction, as disclosed in note 16, the Group acquired a 48.51% (reduced to 44.62% by year-end) ownership interest in Airlabs Holdings Limited, which was assessed as being an investment in an associate. However, Airlabs Limited was accounted for as a subsidiary and was consolidated in Group's prior year accounts. Airlabs Holdings Limited was incorrectly consolidated in the prior year accounts.

Consequently, the prior period numbers in these accounts have been restated to reflect accounting for loss of control of Airlabs Limited and to include Airlabs Holdings Limited as an equity accounted investee from July 2018.

Restated Consolidated Income Statement

	2018	Impact of prior year adjustment	Restated 2018
	US\$000	US\$000	US\$000
Revenue	119,227	-	119,227
Cost of sales	(67,802)	-	(67,802)
Gross profit/(loss)	51,425	-	51,425
Operating expenses	(46,960)	1,067	(45,893)
Gain on disposal of a subsidiary	5,248	2,725	7,973
Other income	563	-	563
Other expenses	(9,987)	(2,723)	(12,710)
Foreign exchange rate loss	(6,124)	27	(6,097)
Operating loss	(5,835)	1,096	(4,739)
Financial income	1,329	(520)	809
Financial expenses	(783)	517	(266)
Foreign exchange (loss)/gain	(122)	2,903	2,781
Net financing income	424	2,900	3,324
Share of profit of joint venture	-	-	-
Share of profit of associate	-	(588)	(588)
Loss before tax	(5,411)	3,408	(2,003)
Taxation	(5,643)	-	(5,643)
Loss for the year	(11,054)	3,408	(7,646)
Attributable to:			
Equity holders of the parent	(10,900)	3,402	(7,498)
Non-controlling interest	(154)	6	(148)
Loss for the year	(11,054)	3,408	(7,646)

Notes to the consolidated financial statements (continued)

3. Prior year adjustments (continued)

Restated Consolidated Balance Sheet

	2018	Impact of prior year adjustment	Restated 2018
	US\$000	US\$000	US\$000
Non-current assets			
Property, plant and equipment	7,972	(34)	7,938
Intangible assets	11,145	(1,893)	9,252
Investment in associates	-	3,312	3,312
Investment in joint ventures	-	-	-
Other investments	5,007	-	5,007
Other receivables	5,186	1	5,187
Deferred tax assets	583	-	583
	<u>29,893</u>	<u>1,386</u>	<u>31,279</u>
Current assets			
Inventories	2,818	-	2,818
Trade and other receivables	64,345	272	64,617
Cash and cash equivalents	72,100	(20)	72,080
Non-current assets held for sale	-	-	-
	<u>139,263</u>	<u>252</u>	<u>139,515</u>
Total assets	<u>169,156</u>	<u>1,638</u>	<u>170,794</u>
Current liabilities			
Other interest-bearing loans and borrowings	870	-	870
Trade and other payables	40,338	(463)	39,875
Deferred revenue	6,589	1	6,590
Income tax payable	2,498	-	2,498
Provisions	1,214	-	1,214
	<u>51,509</u>	<u>(462)</u>	<u>51,047</u>
Non-current liabilities			
Deferred tax liabilities	1	-	1
Other interest-bearing loans and borrowings	541	-	541
	<u>542</u>	<u>-</u>	<u>542</u>
Total liabilities	<u>52,051</u>	<u>(462)</u>	<u>51,589</u>
Net assets	<u>117,105</u>	<u>2,100</u>	<u>119,205</u>

Notes to the consolidated financial statements (continued)

3. Prior year adjustments (continued)

<i>Restated Consolidated Balance Sheet (continued)</i>	2018	Impact of prior year adjustment	Restated 2018
	US\$000	US\$000	US\$000
Equity attributable to equity holders of the parent			
Share capital	-	-	-
Share premium	12,255	(12,145)	110
Share based payment reserves	16,879	-	16,879
Translation reserves	(62,117)	-	(62,117)
Merger reserve	-	12,145	12,145
Retained earnings	148,240	3,403	151,643
Non-controlling interest	1,848	(1,303)	545
Total equity	117,105	2,100	119,205

Restated Consolidated Cash Flow Statement

The prior year adjustment resulted in an immaterial reduction to cash and cash equivalents of US\$20k. There were various adjustments to the consolidated cash flow statement in order to account for deconsolidation of the Airlabs group, with the only significant items related to the payment for acquisition of an interest in Airlabs Holdings Limited of US\$3.9m shown as an acquisition of an investment in an associate within investing activities and cash inflows of US\$3.9m shown as the repayment of a loan to the associate within investing activities in the prior year comparatives in the consolidated cash flow statement (these items were not presented in the consolidated cash flow statement in prior year accounts). The abovementioned adjustments did not have significant impact on the net cash flows from any of the operating, financing or investing activities.

Restated share premium balance

As disclosed in note 25, there has been an adjustment from the share premium account of US\$12.1m into a merger reserve in order to correctly present the equity reserves as a result of a group reconstruction in 2006 where the merger reserve was incorrectly classified as share premium. There is no impact on the total equity recognised.

Notes to the consolidated financial statements *(continued)*

3. *Prior year adjustments (continued)*

Restated Company Balance Sheet

	2018 £000	Impact of prior year adjustment £000	Restated 2018 £000
Fixed assets			
Tangible assets	104	-	104
Investments	115,890	(2,937)	112,953
Investments in equity-accounted investees	-	2,937	2,937
	115,994	-	115,994
Current assets			
Debtors	4,746	-	4,746
Cash at bank and in hand	245	-	245
	4,991	-	4,991
Creditors: amounts falling due within one year	(14,377)	-	(14,377)
Net current liabilities	(9,386)	-	(9,386)
Total assets less current liabilities	106,608	-	106,608
Net assets	106,608	-	106,608
Capital and reserves			
Called up share capital	-	-	-
Share premium	68	-	68
Merger reserve	80,414	-	80,414
Share based payments reserves	432	-	432
Profit and loss account	25,694	-	25,694
Shareholder's funds	106,608	-	106,608

Notes to the consolidated financial statements *(continued)*

4. Revenue

	2019 US\$000	2018 US\$000
Sale of goods	95,435	104,177
Provision of services	45,129	15,050
Revenue from leasing of equipment	3,478	-
Total revenue	144,042	119,227

Revenue by geographical location is as follows:

	2019 US\$000	2018 US\$000
Asia	23,275	43,286
North America	88,681	36,665
South America	21,176	20,378
Europe	10,373	18,898
Africa	537	-
Total revenue	144,042	119,227

Contract balances

The following table provides information about receivables and contract liabilities from contracts with customers.

	2019 US\$000	2018 Restated US\$000
Trade receivables from customers (see note 19)	78,669	34,558
Contract assets (accrued income) (see note 19)	28,394	7,210
Contract liabilities (deferred income) (see note 23)	52,716	6,590

Contract assets represent revenue recognised but not yet invoiced. All contract assets as of 31 December 2018 (US\$7,210,000) were invoiced during the year ended 31 December 2019. The same is expected to be true for all contract assets at the year ended 31 December 2019.

Contract liabilities represent the Group's obligation to transfer goods or services to customers, for which the Group has already received consideration from the customer. All of the contract liability balance as of 31 December 2018 (US\$6,590,000) has been recognised as revenue during the year ended 31 December 2019. The same is expected to be true for all contract liabilities at the year ended 31 December 2019.

Notes to the consolidated financial statements (continued)

5. Other income and expenses

	2019	2018
	US\$000	US\$000
Other income	1,428	563

For 2019 significant items within other income relates to withholding tax for \$690,000, income from the sale of batteries of \$460,000 and reversed accruals and other payables of \$290,000. In 2018 significant items within other income includes the sale of office equipment and furniture for \$219,000 and other non-significant items.

	2019	2018
	US\$000	Restated US\$000
Other expenses	9,450	12,710

In 2019 significant items within other expenses relate to the impairment of capitalised development costs within eVote UK Limited of \$2,827,000, additional sales tax and withholding tax charges of \$2,838,000, bad debt provision and write-off costs of \$2,712,000 and the costs associated with the merger of SGO Corporation Ltd and SGO Corporation S.A of \$834,000. In 2018 significant items within other expenses relate to the impairment of amounts due from related parties of \$5,198,000, additional tax penalties and permits of \$1,402,000 and a write-off of advances and deferred charges of \$744,000.

6. Expenses and auditor's remuneration

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

	2019	2018
	US\$000	Restated US\$000
Loss on disposal of intangible assets	-	1,644
Impairment reversal of trade receivables (see note 26)	-	(222)
Impairment of trade receivables (see note 26)	2,586	1,711
Depreciation expense (see note 11)	2,444	635
Amortisation expense (see note 12)	498	1,348
Impairment of intangible assets (see note 12)	2,805	-
Pre-contract costs amortisation expense (see note 19)	314	314
Operating lease expense (see note 27)	-	1,389
Research and development expenditure	763	2,133
Impairment of development costs (see note 12)	2,827	-
Gain on disposal of joint venture (see note 14)	-	5,248
Gain on disposal of subsidiary (see note 14)	-	2,725
Impairment of amounts due from related parties (see note 29)	-	5,198

Auditor's remuneration:

	2019	2018
	US\$000	US\$000
Audit of these financial statements	34	21
Amounts receivable by the company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the company	687	577
Tax advisory and compliance services	596	382

In addition to the audit fees payable to KPMG LLP and its associates, certain Group subsidiaries are audited by other firms, and taxes are also assessed by other firms. Fees payable to those firms amounts to US\$592,096 (2018: US\$76,250).

Notes to the consolidated financial statements *(continued)*

7. *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	
	2019	2018
Number of employees	409	403

The aggregate payroll costs of these persons were as follows:

	US\$000	US\$000
Wages and salaries	25,885	24,650
Social security costs	3,626	3,342
Contributions to defined contribution plans	50	108
	<u>29,561</u>	<u>28,100</u>

8. *Directors' remuneration*

	2019	2018
	\$000	\$000
Remuneration paid to or receivable by directors in respect of qualifying services	569	634
	<u>569</u>	<u>634</u>

The total remuneration and amounts receivable under long term incentive schemes of the highest paid director was US\$340,000 (2018: US\$430,000). One of the directors was not paid for his services to the group.

Notes to the consolidated financial statements *(continued)*

9. Finance income and expense

	2019	2018
	US\$000	Restated US\$000
Finance income		
Gain on foreign exchange	558	809
	<hr/>	<hr/>
Total finance income	558	809
	<hr/>	<hr/>
	2019	2018
	US\$000	Restated US\$000
Finance expense		
Interest expense	55	66
Loss on foreign exchange	1,616	200
	<hr/>	<hr/>
Total finance expense	1,671	266
	<hr/>	<hr/>

Notes to the consolidated financial statements (continued)

10. Taxation

Recognised in the income statement

	2019	2018
	US\$000	restated US\$000
<i>Current tax expense</i>		
Current year tax charge	(6,696)	(1,958)
Adjustments for prior years	(822)	(160)
	<hr/>	<hr/>
Current tax expense	(7,518)	(2,118)
	<hr/>	<hr/>
<i>Deferred tax expense</i>		
Origination and reversal of temporary differences	131	(4,022)
Recognition of previously unrecognised tax losses	71	507
Rate Change	(12)	(10)
	<hr/>	<hr/>
Deferred tax credit/(expense)	190	(3,525)
	<hr/>	<hr/>
Total tax expense	(7,328)	(5,643)
	<hr/>	<hr/>

Reconciliation of effective tax rate

	2019	2018
	US\$000	restated US\$000
Loss before tax	(9,793)	(2,003)
Income tax credit calculated at 19.00% (2018: 19%)	(1,860)	(381)
Effect of (income)/expenses that are not (taxable)/deductible in determining taxable profit	(1,054)	(28)
Effect of different tax rates of subsidiaries operating in other jurisdictions	3,826	2,843
Effect of tax losses not recognised as deferred tax assets	1,361	2,465
Timing differences not recognised for deferred tax purposes	3,429	888
Effect of different exchange rates translation on subsidiaries	813	295
Effect of prior year adjustments	834	57
Unrecognised deferred tax now recognised	(71)	(507)
Effect of changes in tax rates	50	11
	<hr/>	<hr/>
Total tax expense	7,328	5,643
	<hr/>	<hr/>

The tax rate used for the 2019 reconciliation above is the corporate tax rate of 19% payable by corporate entities in the UK on taxable profits under tax law in that jurisdiction. The 2018 reconciliation is based on the corporate tax rate of 19.25%.

Notes to the consolidated financial statements (continued)

11. 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 2017	9,174	4,744	4,311	1,238	1,314	255	21,036
Additions	157	33	199	-	-	-	389
Disposals	-	(2,427)	(1,236)	(681)	(6)	(254)	(4,604)
Impact of Airlabs deconsolidation	-	(47)	-	-	-	-	(47)
Effects of movements in foreign exchange	-	(2)	(627)	(386)	(524)	(1)	(1,540)
Balance at 31 December 2018 (restated)	9,331	2,301	2,647	171	784	-	15,234
Recognition of right-of-use asset on initial application of IFRS 16	3,788	-	-	-	-	-	3,788
Additions	-	-	122	-	-	-	122
Effect of movements in foreign exchange	-	113	891	-	3	-	1,007
Balance at 31 December 2019	13,119	2,414	3,660	171	787	-	20,151
Depreciation and impairment							
Balance at 31 December 2017	(2,174)	(3,490)	(3,492)	(1,097)	(1,307)	-	(11,560)
Depreciation charge for the year	(307)	(201)	(101)	(21)	(5)	-	(635)
Disposals	-	720	1,236	-	364	-	2,320
Impact of Airlabs deconsolidation	-	13	-	-	-	-	13
Effect of movements in foreign exchange	-	827	628	947	164	-	2,566
Balance at 31 December 2018 (restated)	(2,481)	(2,131)	(1,729)	(171)	(784)	-	(7,296)
Depreciation charge for the year	(2,125)	(171)	(148)	-	-	-	(2,444)
Effect of movements in foreign exchange	-	(42)	(5)	-	(3)	-	(50)
Balance at 31 December 2019	(4,606)	(2,344)	(1,882)	(171)	(787)	-	(9,790)
Net book value							
At 31 December 2018 (restated)	6,850	170	918	-	-	-	7,938
At 31 December 2019	8,513	70	1,778	-	-	-	10,361

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)

12. Intangible assets

	Patents and trade- marks US\$000	Software US\$000	Total US\$000
Cost			
Balance at 1 January 2018	7,297	4,878	12,175
Impact of Airlabs deconsolidation	-	(1,893)	(1,893)
Additions	-	5,444	5,444
Disposals	(1,581)	(64)	(1,645)
Balance at 31 December 2018 (restated)	5,716	8,365	14,081
Balance at 1 January 2019	5,716	8,365	14,081
Additions	-	3,771	3,771
Impairment	-	(2,805)	(2,805)
Balance at 31 December 2019	5,716	9,331	15,047
Amortisation and impairment			
Balance at 1 January 2018	(3,533)	-	(3,533)
Amortisation for the year	(1,348)	-	(1,348)
Disposals	52	-	52
Balance at 31 December 2018 (restated)	(4,829)	-	(4,829)
Balance at 1 January 2019	(4,829)	-	(4,829)
Amortisation for the year	(498)	-	(498)
Balance at 31 December 2019	(5,327)	-	(5,327)
Net book value			
Balance at 31 December 2018 (restated)	887	8,365	9,252
At 31 December 2019	389	9,331	9,720

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

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. Amortization of the intellectual property commenced in October 2015 when it was available for use.

In 2016 the Group chose to revise its accounting policy in respect to the capitalization 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, being capitalised. As at 31 December 2019 \$10,218k (2018 restated: \$8,365k) of development costs have been capitalised. These items are not yet in use and so no amortisation charge has been incurred.

During the period, software totalling \$2,805k was impaired, with the impairment charge being recognised in the Statement of Profit and Loss. The asset related to software capitalised in respect of the Evote cash generating unit. As management had ceased the funding of development of the project, it was no longer considered viable, and as such, an impairment was recognised accordingly.

Notes to the consolidated financial statements *(continued)*

13. *Other investments*

	2019 US\$000	2018 US\$000
Non-current		
Other investments	5,476	5,007

The non-current 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. In 2018, 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%.

In 2019 the Group decreased ownership in the investment to 29.09%.

Based upon the organisational structure of Infuser, and the extent of control by the Group over the entity, 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 26).

Notes to the consolidated financial statements (continued)

14. Investments in subsidiaries

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

	Registered address	Registered Number	Class of shares held	Ownership	
				2019	2018 (restated)
Group Subsidiary					
Smartmatic International Holding B.V. *	Gustav Mahlerplein 25C, 1082 MS Amsterdam, The Netherlands	7477910	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%
Folio Technologies **	88 Baker Street, London, W1U 6TQ, United Kingdom	8953917	Ordinary	100%	100%
Social Hunt Corporation +	Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle, Delaware 19801, USA	9035601	Ordinary	100%	100%
Smartmatic UK Limited **	88 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 Belgium SPRL	9 th 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%
Albatross Technologies Corporation	Pine Lodge, #26 Pine Road, St. Michael, Barbados, W.I. BB 11112	31402	Ordinary	0%	100%
Smartmatic South Africa PTY Limited ⁺	Ground Floor Stadium Building, Lion Match Office Park, Umgeni Road, Durban, South Africa	2014/274662/07	Ordinary	0%	100%
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	0%	100%
Smartmatic Netherlands B.V.	Gustav Mahlerplein 25C, 1082 MS Amsterdam, The Netherlands	34320515	Ordinary	100%	100%
Smartmatic Australia PTY Ltd ⁺	SE 3 L 23, 19-29 Martin Pl, Sydney, NSW 2000	98 622 894 704	Ordinary	100%	100%
Smartmatic Singapore Pte Ltd	8 Temasek Boulevard, #42-19, Suntec Tower Three, Singapore (038988)	201705304 W	Ordinary	100%	100%

Notes to the consolidated financial statements (continued)

14. Investments in subsidiaries controlled entities (continued)

Group Subsidiary	Registered address	Registered Number	Class of shares held	Ownership	
				2019	2018 (restated)
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 Elecciones de Mexico S.A. de C.V.	Berna No. 6, Piso 6, Colonia Juarez, Delegacion Cuauhtemoc, Distrito Federal, CP 06600	U74900DL 2010PTC20 4111	Ordinary	60%	60%
SC Centre of Excellence for Internet Voting OU	Ülikool tn 2, Tartu city, Tarty County, 51003, Estonia	12679959	Ordinary	60%	60%
HS Software Corporation ⁺	Pine Lodge, #26 Pine Road, St. Michael, Barbados, W.I. BB 11112	41933	Ordinary	100%	100%
Smartmatic Latam Corporation	Pine Lodge, #26 Pine Road, St. Michael, Barbados, W.I. BB 11112	36714	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.	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%
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	Pine Lodge, #26 Pine Road, St. Michael, Barbados, W.I. BB 11112	29152146	Ordinary	100%	100%
Smartmatic Taiwan Corporation	7F., No.276, Jianguo Rd., Sindian City, Taipei County, Taiwan (R.O.C.)	CS2009123 59	Ordinary	100%	100%
1920 Business Inc.	16th floor, Accralaw Tower, Second Avenue Corner 30th Street, Crescent Park West, Bonifacio Global City, 0399 Taguig Metro Manila, Philippines	CS2009104 29	Ordinary	40%	40%
Smartmatic TIM Corporation	16th floor, Accralaw Tower, Second Avenue Corner 30th Street, Crescent Park West, Bonifacio Global City, 0399 Taguig Metro Manila, Philippines	CS2015160 97	Ordinary	40%	40%
SMMT-TIM 2016 Inc	Avenue Corner 30th Street. Crescent Park West, Bonifacio Global City, 0399 Taguig Metro Manila, Philippines	12679959	Ordinary	40%	40%
Smartmatic Elections UK Limited	88 Baker Street, London, W1U 6TQ, United Kingdom	08704199	Ordinary	100%	100%
Smartmatic Brazil LTDA	Av. Dr Guilherme Dumon Villares 1410, cj 101, Sao Paulo, Brazil	093906377 0001-06	Ordinary	100%	100%

Notes to the consolidated financial statements (*continued*)

14. Investments in subsidiaries (*continued*)

*The subsidiaries of SGO Corporation Limited, above, 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.

+These entities represent all dormant entities.

In 2018 the Group reduced its participating interest in Consorcio COLCARD de Recaudo y Gestion de Flotas de Transporte Público. The Group now holds a 50% interest in the entity, and as such, the entity is treated as a joint venture in the financial statements.

Effect of gain on change in participating interest

	2018 US\$000
Proceeds	-
Assets & liabilities disposed of:	
Property, plant and equipment	1,134
Intangible assets	27
Trade and other receivables	837
Trade and other creditors	(7,246)
Net liabilities disposed of	(5,248)
Total gain on change in participating interest	5,248

As disclosed in note 3, in 2018 the Group sold its participating interests in Airlabs Limited to Airlabs Holdings Limited (a newly incorporated entity) for £1. The Group then acquired a 48.51% participating interest in Airlabs Holdings Limited for a cash consideration of \$3.9m. The participating interest in Airlabs Holdings Limited was assessed as being an associate of the Group. At year end, the Group held a 44.62% interest in Airlabs Holdings Limited.

Effect of gain on change in participating interest

	2018 restated US\$000
Proceeds	1
Assets & liabilities disposed of:	
Cash	65
Inventory	20
Trade and other receivables	132
Fixed assets	42
Intangible assets	1,563
Trade and other payables	(114)
Intercompany payables	(4,434)
Net liabilities disposed of	(2,726)
Total gain on change in participating interest	2,725

Notes to the consolidated financial statements (*continued*)

15. *Investments in joint ventures*

As per note 14, during 2019 the Group reduced its participating interest in Consorcio COLCARD de Recaudo y Gestion de Flotas de Transporte Público in 2018. The Group now holds a 50% interest in the entity, and as such, the entity is treated as a joint venture in the financial statements.

	2019 US\$000	2018 US\$000
Carrying amount of joint venture	-	-
Percentage ownership interest	50%	50%
	US\$000	US\$000
Non-current assets	1,850	1,873
Current assets	906	995
Non-current liabilities	(7,233)	(7,505)
Current liabilities	(756)	(695)
Net liabilities (100%)	(5,233)	(5,332)
Group's share of net liabilities	(2,616)	(2,666)
Carrying amount of interest in joint venture	-	-
Revenue	2,285	2,008
Costs and operating expenses	(2,403)	(2,523)
Interest income	84	400
Other income	-	155
(Loss)/profit from continuing operations	(34)	40
Group's share of (loss)/profit	(17)	20

Notes to the consolidated financial statements *(continued)*

16. *Investments in associates*

As per Note 14, in 2018 the Group sold its participating interests in Airlabs Limited and acquired a participating interest in Airlabs Holdings Limited for \$3.9m. The remaining shares in Airlabs Holdings Limited were issued to third parties at the same price per share and therefore management determined that the \$3.9m represented fair value. The Group now holds a 44.62% interest in Airlabs Holdings Limited, and exercises significant influence over the entity, which is now considered to be an associate of the Group. Refer to note 3 which details the prior year impact of this on the financial statements.

	2019	2018
	US\$000	Restated US\$000
Carrying amount of associate	2,651	3,312
Percentage ownership interest	2019 44.62% US\$000	2018 44.62% US\$000
Non-current assets	2,613	1,928
Current assets	637	230
Current liabilities	(3,078)	(946)
Net assets (100%)	172	1,212
Group's share of net assets	77	541
Carrying amount of interest in associate	2,651	3,312
Costs and operating expenses	(2,041)	(1,800)
Interest expense	(6)	(165)
Other income	567	693
Loss from continuing operations	(1,480)	(1,272)
Group's share of loss	(660)	(568)

Notes to the consolidated financial statements (continued)

17. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2019 US\$000	2018 Restated US\$000
Intra-group profit	-	(1)
Provisions	182	62
Property, plant and equipment	19	21
Unrealised foreign exchange gains	131	32
Other assets/(liabilities)	418	393
Tax losses	54	76
	<hr/>	<hr/>
Deferred tax assets	804	583
	<hr/>	<hr/>
	2019 US\$000	2018 Restated US\$000
Total deferred tax assets	804	584
Total deferred tax liabilities	-	(1)
	<hr/>	<hr/>
Net deferred tax assets	804	583
	<hr/>	<hr/>

Movement in deferred tax during the year

	1 January 2019 Restated US\$000	Translation differences US\$000	Rate Change US\$000	Recognised in year US\$000	Recognised in OCI US\$000	31 December 2019 US\$000
Provisions	62	-	(13)	133	-	182
Property, plant and equipment	21	-	-	(2)	-	19
Other assets/ (liabilities)	393	7	-	(2)	20	418
Unrealised foreign exchange gains	32	2	-	97	-	131
Temporary differences:						
Tax losses	76	3	-	(25)	-	54
Deferred tax liabilities:						
Intra-group profit	(1)	-	-	1	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net deferred tax balance	583	12	(13)	202	20	804
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Unrecognised deferred temporary differences

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

Notes to the consolidated financial statements (continued)

17. Deferred tax assets and liabilities (continued)

	1 January 2018 US\$000	Translation differences US\$000	Rate Change US\$000	Recognised in year US\$000	31 December 2018 US\$000
Provisions	20	-	(6)	48	62
Property, plant and equipment	14	-	(2)	9	21
Intra-group profit	5,371	-		(5,372)	(1)
Temporary differences:					
Tax losses	1,030	(13)	11	(952)	76
Deferred tax liabilities:					
Other liabilities	(62)	(38)	(15)	508	393
Unrealised foreign exchange gains	(2,188)	(28)	-	2,248	32
Net deferred tax balance	4,185	(79)	(12)	(3,511)	583

	2019 US\$000	2018 US\$000
Charitable donations	-	190
Tax losses	84,809	61,748
Other deductible temporary differences	18,072	-
Deferred tax assets	102,881	61,938

The carrying value of deferred tax assets is reviewed at each closing date and reduced to the extent that it is not likely that the Group would generate sufficient future tax gains to totally or partially recover such assets. The Group reviews the recovery of these amounts based on the projection of expected future tax results. The Group does not recognise any deferred tax liability on temporary differences relating to potentially taxable unremitted earnings of overseas subsidiaries totalling USD10.0m (2018: USD10m) 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.

18. Inventories

	2019 US\$000	2018 US\$000
Raw materials and consumables	383	399
Finished goods, net	9,311	2,419
	9,694	2,818

Management estimates that inventories will be realised or utilised in the 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 the current period (2018: US\$ nil). The cost of inventories recognised as an expense during the year in respect of continuing operations was US\$3.6m (2018: US\$353,000).

Notes to the consolidated financial statements (continued)

19. Trade and other receivables

	2019	2018
	US\$000	Restated US\$000
Trade receivables	78,669	34,558
Amounts due from parent	-	462
Other receivables	6,291	2,560
Advance to vendors	11,013	2,142
Prepayments	30,992	11,774
Accrued income	28,394	7,210
Guarantee deposits	384	353
Pre-contract costs	1,864	2,178
Other taxes receivable	5,178	8,567
	162,785	69,804
Non-current	4,543	5,187
Current	158,242	64,617

Advance to vendors

The Group grants advances to its suppliers to acquire goods and services during the course of business. As of 31 December 2019, the Group has granted advances for US\$11,013,000 (2018 restated: US\$2,142,000) 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 of 31 December 2019, the Group maintains non-interest bearing loans receivable from employees for approximately US\$305,000 (2018: US\$310,000).

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 2019, both the VAT and withholding tax are mainly generated by operations in the Philippines.

Pre-contract costs

Pre-contract costs 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 2018 and 2019 a total of \$314,000 was amortised.

20. Cash and cash equivalents

	2019	2018
	US\$000	Restated US\$000
Cash and cash equivalents	56,906	66,589
Restricted cash	2,384	5,491
Total cash and cash equivalents	59,290	72,080

As of 31 December 2019 and 2018, restricted cash is represented by deposits held in financial institutions for the purpose of guaranteeing certain projects in progress and bid processes in certain jurisdictions.

Notes to the consolidated financial statements (continued)

21. Other 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 26 for more information about the Group's exposure to interest rate and foreign currency risk.

	2019 US\$000	2018 US\$000
Non-current liabilities		
Secured bank loans	1,758	541
	<hr/>	<hr/>
Current liabilities		
Current portion of secured bank loans	46,463	870
	<hr/>	<hr/>

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Face value 2019 US\$000	Carrying amount 2019 US\$000	Face value 2018 US\$000	Carrying amount 2018 US\$000
Banistmo loan	US\$	LIBOR +4	2020	257	257	695	695
Banistmo loan	US\$	LIBOR +4	2021	292	292	519	519
European Commission	EUR	NA	2019	-	-	197	197
Barclays	US\$	LIBOR + 2.27%	2020	19,996	19,996	-	-
Santander UK Plc	US\$	LIBOR + 2.27%	2020	24,000	24,000	-	-
Short term leases	US\$	N/A	N/A	1,918	1,918	-	-
Long term leases	US\$	N/A	N/A	1,765	1,765	-	-
				<hr/>	<hr/>	<hr/>	<hr/>
				48,228	48,228	1,411	1,411
				<hr/>	<hr/>	<hr/>	<hr/>

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\$24,000,000. As of 31 December 2019, the total drawdown was US\$24,000,000.

Barclays Plc is a revolving credit facility to US\$20,000,000. As of 31 December 2019, the total drawdown was US\$19,996,000.

Notes to the consolidated financial statements (continued)

22. Trade and other payables

	2019	2018
	US\$000	Restated US\$000
Current		
Trade and other payables	23,635	10,154
Employee benefits	6,126	4,094
Social security and other taxes	16,111	4,887
Accrued expenses	6,803	20,740
	<u>52,675</u>	<u>39,875</u>

23. Deferred revenue

	2019	2018
	US\$000	Restated US\$000
Current	52,716	6,590

All deferred revenue represents advance billings on contracts where the work had not been performed at the year end.

24. 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.

	2019	2018
	US\$000	US\$000
Balance at 1 January 2019	1,214	3,306
Provisions made during the year	19	467
Provisions reversed during the year	(1,186)	(2,559)
Balance at 31 December 2019	<u>47</u>	<u>1,214</u>

Notes to the consolidated financial statements (continued)

25. Capital and reserves

Share capital

	2019 US\$000	2018 US\$000
<i>Allotted, called up and fully paid</i>		
109,375,086 shares of US\$0.01 each (2018: 3 ordinary shares of £1 each)	1,093	-

Group reorganisation

During the current financial year SGO Corporation Limited merged with its previous parent company, SGO Corporation S.A, whereby SGO Corporation Limited assumed net liabilities of its previous parent in exchange for the issue of new shares of US\$1,421k being the nominal value of the shares.

For this capital reorganisation the company issued 109,375,086 new shares at USD0.0133 for \$1,421k. The company then reduced the nominal value to USD0.01 per share which resulted in a fall in the value of \$328k to \$1,093k

Consequently this transaction resulted in the recognition of net liabilities of US\$1,124k, share capital of US\$1,093k and a decrease in the merger reserve of US\$2,217k.

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.

Share premium: As disclosed in note 3, there has been an adjustment from the share premium account of US\$12.1m into a merger reserve in order to correctly present the equity reserves as a result of a group reconstruction in 2006 where the merger reserve was incorrectly classified as share premium. There is no impact on the total equity recognised.

26. Financial instruments

26 (a) Fair values of financial instruments

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 2019 US\$000	Fair value 2019 US\$000	Carrying amount 2018 Restated US\$000	Fair value 2018 Restated US\$000
Loans and receivables				
Cash and cash equivalents (note 20)	59,290	59,290	72,080	72,080
Trade and other receivables (note 19)	162,785	162,785	69,804	69,804
Available for sale investments				
Other financial assets (note 13) – Level 2	5,476	5,476	5,007	5,007
Total financial assets	227,551	227,551	146,891	146,891
Financial liabilities measured at amortised cost				
Other loans and borrowings (note 21)	48,221	48,221	1,411	1,411
Trade and other payables (note 22)	52,675	52,675	38,875	38,875
Income tax payable	5,849	5,849	2,498	2,498
Provisions (note 24)	47	47	1,214	1,214
Total financial liabilities	106,792	106,792	43,998	43,998
Total financial instruments	120,759	120,759	102,893	102,893

Notes to the consolidated financial statements (continued)

26 Financial instruments (continued)

26 (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 gross credit risk for trade receivables at the balance sheet date by geographic region was:

	2019 US\$000	2018 restated US\$000
Asia	4,727	15,937
South America	5,680	4,814
Europe	-	3,709
North America	74,749	13,888
Africa	417	749
	<u>85,573</u>	<u>39,097</u>

Credit quality of financial assets and impairment losses

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

	Gross 2019 US\$000	Impairment 2019 US\$000	Gross restated 2018 US\$000	Impairment 2018 US\$000
Not past due (0 – 30 days)	75,136	-	30,192	-
Past due 31- 60 days	43	-	3,015	-
Past due 61- 90 days	3,152	-	88	-
More than 91 days	7,242	(6,904)	5,802	(4,519)
	<u>85,573</u>	<u>(6,904)</u>	<u>39,097</u>	<u>(4,519)</u>

Notes to the consolidated financial statements (continued)

26 Financial instruments (continued)

26 (b) Credit risk (continued)

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

	2019 US\$000	2018 US\$000
Balance at 1 January	4,519	8,530
Impairment loss recognised	2,586	1,711
Impairment loss reversed	-	(222)
Trade receivables written off during the year	(201)	(5,500)
Balance at 31 December	<u>6,904</u>	<u>4,519</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.

26 (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.

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

2019	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 21)	48,221	48,221	46,463	-	-	1,758
Trade and other payables (note 22)	52,675	52,675	52,675	-	-	-
Provisions (note 24)	47	47	47	-	-	-
	<u>100,943</u>	<u>100,943</u>	<u>99,185</u>	<u>-</u>	<u>-</u>	<u>1,758</u>

2018 (restated)	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 21)	1,411	1,411	541	870	-	-
Trade and other payables (note 22)	38,875	38,875	38,875	-	-	-
Provisions (note 24)	1,214	1,214	1,214	-	-	-
	<u>41,500</u>	<u>41,500</u>	<u>40,630</u>	<u>870</u>	<u>-</u>	<u>-</u>

Notes to the consolidated financial statements (continued)

26 Financial instruments (continued)

26 (d) Market risk

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	
	2019	2018	2019	2018
Venezuelan Bolivars	-	927,119	7,286,438	91,919
Philippine Pesos	511,190,226	594,678,360	1,440,559,668	2,193,127,518
Euros	23,200,557	8,321,103	314,740	7,005,603
Mexican Pesos	3,254,084	2,544,827	6,421,689	5,324,521
Sterling Pound	41,221,341	5,962,926	46,563,194	7,948,698
Colombian Pesos	356,240,517	4,798,511,740	18,640,508,998	19,157,401,480
Taiwanese Dollars	30,465,107	12,632,325	33,693,888	22,752,228
Hong Kong Dollars	38,661	-	-	-
Brazilian Reais	445,527	147,973	2,503,662	767,371
Haitian Gourdes	-	1,002,760	293,115	12,631,865
Argentinian Pesos	184,423,341	678,951	435,706,199	12,328,071
Singapore Dollars	161,168	107,950	3,103,336	2,143,949
Pakistani Rupee	6,213,884	38,951,909	59,735,687	63,856,554
Danish Kroner	-	473,028	-	58,531
Australian Dollars	(1,100)	3,741	686	386
Bolivars	-	12,075	-	50,810

Sensitivity analysis

The Group is mainly exposed to the currency of 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.

Notes to the consolidated financial statements *(continued)*

26 Financial instruments *(continued)*

26 (d) Market risk *(continued)*

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.

	Impact original currency	2019 Impact in US\$	% of change in exchange rate	Impact original currency	2018 Impact in US\$	% of change in exchange rate
Sterling Pound	27,646,909	21,080,768	(2.5%)	(2,528,104)	(2,907,319)	(27%)
Taiwanese dollars	(99,053)	(3,298)	2.57%	(310,171)	(9,091)	3,105%
Euros	2,081,937	1,860,627	3.47%	159,794	181,414	(17%)
Brazilian Reals	(397,275)	(98,562)	29.29%	(154,536)	(37,630)	2,72%
Mexican Pesos	(135,429)	(7,186)	24.55%	(144,866)	(7,310)	1,941%
Philippine Pesos	11,080,180	218,825	1.41%	16,668,317	221,049	5,778%
Colombian Pesos	149,056	45	21.20%	7,615,524	2,292	28,7393%
Haitian Gourdes	6,446	70	4.99%	(121,406)	(1,214)	6,354%
Argentinian Pesos	(3,707,169)	(61,900)	13.54%	(267,161)	(5,920)	2,920%
Dirham	0	0	0.00%	-	-	273%
Pakistan Rupees	598,857	3,862	8.65%	13,207	89	1,1479%
Singapore dollars	(2,033,676)	(1,509,558)	5.79%	(1,333,816)	(770,320)	35%
Australian dollars	-	-	-	2,345	1,620	1.25%
Bolivars	-	-	-	(5,548)	(797)	-0.19%

Profile

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

Sensitivity analysis

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

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

- Profit for the year ended 31 December 2019 would decrease by US\$ 2,000 (2018: US\$ 29,000). 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 2019 would decrease in the same amounts for both years.

Notes to the consolidated financial statements (continued)

26 Financial instruments (continued)

26 (e) Capital management

- a. 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.
- b. 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.

27. Leases

Right-of-use assets

Right-of-use assets related to lease properties that do not meet the definition of investment properties are presented as property, plant and equipment (see note 11):

	Land and buildings £000	Total £000
Balance at 1 January 2019	-	-
Initial recognition of right-of-use assets upon application of IFRS 16	5,476	5,476
Additions to right-of-use assets	-	-
Depreciation charge for the year	(2,030)	(2,030)
Derecognition of right-of-use assets (see note 11)	-	-
	<hr/>	<hr/>
Balance at 31 December 2019	3,446	3,446
	<hr/>	<hr/>

Lease Liabilities

	Land and buildings £000	Total £000
Balance at 1 January 2019	-	-
Initial recognition of lease liabilities upon application of IFRS 16	5,476	5,476
Lease payment	(1,969)	(1,969)
Unwinding of interest rates	176	176
	<hr/>	<hr/>
Balance at 31 December 2019	3,683	3,683
	<hr/>	<hr/>

Notes to the consolidated financial statements *(continued)*

27. *Leases (continued)*

Amounts recognised in profit or loss

The following amounts have been recognised in profit or loss for which the Group is a lessee:

	£000
2019 - Leases under IFRS 16	
Interest expense on lease liabilities	176
Expenses relating to short-term leases	309
Expenses relating to leases of low-value assets accounted, excluding short-term leases of low-value assets	23

Amounts recognised in profit or loss (continued)

2018 - Operating leases under IAS 17

Non-cancellable operating lease rentals are payable as follows:

	2018 US\$000
Less than one year	2,396
Between one and five years	3,521
More than five years	-
	<hr/>
	5,917
	<hr/>

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

During the year US\$1,389,000 was recognised as an expense in the income statement in respect of operating leases.

28. *Commitments and contingencies*

In 2016, the Dutch Tax Authorities raised an assessment of EUR2.5m income tax on Smartmatic International Holdings BV relating to matters including the remuneration of the company for the year ended 31 December 2012. The group continues to vigorously object to this assessment and is appealing. Discussions covering the accounting years ended 31 December 2011 to 2016 are ongoing with Dutch tax authorities including constructive meetings in the Netherlands during April 2019. The range of potential outcomes of this matter following further discussions with the Dutch tax authorities remains uncertain. The Group does not consider it appropriate to make provision for these amounts at this stage nor for any potential further amounts which may be assessed in relation to these matters in subsequent years.

As at December 2019, this has been resolved and cleared.

Notes to the consolidated financial statements *(continued)*

29. *Related parties*

Transactions with key management personnel

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

	2019 US\$000	2018 US\$000
Key management emoluments	1,802	2,108
	<u>1,802</u>	<u>2,108</u>

Other related party transactions

Certain family members of Antonio José Mugica Rivero and Roger Alejandro Piñate, directors of the company are employed by the Group. The salary paid to these family members is based on an arm's length basis and amounted to \$725,000 (2018: US\$865,000). Certain family members and a director are also employed as contractors. The amounts paid to these family members amounted to US\$613,000 (2018: US\$632,000).

Consorcio COLCARD de Recaudo y Gestion de Flotas de Transporte Público is a joint venture of the Group (see note 14), at the year end there was a receivable due to the Group from the joint venture of US\$4,941,000 (2018: US\$5,198,000) which has been fully provided for. Airlabs Holdings Limited is an associate of the Group (see note 16), at the year end there was a receivable due to the Group from the associate of US\$2,536,000 (2018 restated: \$462,000).

30. *Ultimate parent company*

SGO Corporation Limited is the ultimate parent for the Group and has no ultimate controlling entity.

31. *Post balance sheet events*

In February 2019 the Santander credit facility, as per note 21, was repaid in full, and a new facility was agreed for \$15,000,000. The Barclays facility was also repaid in full and has not been renewed.

Company Balance Sheet
at 31 December 2019

	Note	2019 £000	2019 £000	2018 Restated* £000	2018 Restated* £000
Fixed assets					
Tangible Assets	2	54		104	
Investments	3	108,948		112,953	
Available for sale investments		4,142		-	
Investments in equity-accounted investees		1,985		2,937	
Debtors	4	1,829		-	
			116,958		115,994
Current assets					
Debtors	4	39,848		4,746	
Cash at bank and in hand		562		245	
		40,410		4,991	
Creditors: amounts falling due within one year	5	(54,220)		(14,377)	
Net current liabilities			(13,810)		(9,386)
Total assets less current liabilities			103,148		106,608
Net assets			103,148		106,608
Capital and reserves					
Paid up share capital	6		829		-
Share Premium			68		68
Merger Reserve			78,746		80,414
Share based payments reserves			432		432
Profit and loss account			23,073		25,694
Shareholder's funds			103,148		106,608

*See Note 3 (consolidated accounts) for further detail

The notes on pages 60 to 63 form part of these financial statements.

These financial statements were approved by the board of directors on 15 September 2020 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 2019

	Paid up Share capital	Share Premium account	Merger reserve	Share based premium reserves	Profit and loss account	Shareholder's funds
	£000	£000	£000	£000	£000	£000
Balance at 1 January 2018	-	68	80,414	432	26,305	107,219
Profit for the year	-	-	-	-	(611)	(611)
Balance at 31 December 2018	-	68	80,414	432	25,694	106,608
Accounting for merger with SGO Corporation S.A.	1,078	-	(1,917)	-	-	(839)
Reduction in nominal value of share capital	(249)	-	249	-	-	-
Loss for the year	-	-	-	-	(2,621)	(2,621)
Balance at 31 December 2019	829	68	78,746	432	23,073	103,148

The notes on pages 60 to 63 form part of these financial statement

Notes to the Company financial statements

1 Accounting policies

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

Basis of preparation

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

In these financial statements, the Company has applied the exemptions under FRS 101 in respect of the following disclosures:

- Comparative year reconciliation for share capital
- A cash flow statement and related notes
- Disclosures in respect of wholly owned subsidiaries
- Disclosures in respect of capital management
- The effects of new but not yet effective IFRSs
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of SGO Corporation Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 in respect of the following disclosures:

- IFRS 2 "Share-based payment" in respect of Group-settled Share-based payment
- Certain disclosures required by IAS 36 Impairment of Assets in respect of the impairment of investments
- Certain disclosures required by IFRS 3 Business Combinations in respect of business combinations undertaken by the company in the current and prior years
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 "Financial Instruments Disclosures."

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

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

A separate profit and loss account or statement of total recognised gains and losses dealing with the results of the Company only has not been presented as permitted under section 408 of the Companies Act.

Tangible Assets

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

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

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

Leasehold improvements	Up to life of lease
------------------------	---------------------

Investments

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

Taxation

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

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

Notes to the Company financial statements (continued)

1 Accounting policies (continued)

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).

2. Tangible fixed assets

	Leasehold Improvements £000	Furniture & Fixtures £000	Total £000
Cost			
At 1 January 2018 and 1 January 2019	406	50	456
	<hr/>	<hr/>	<hr/>
At 31 December 2018 and 31 December 2019	406	50	456
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 January 2018	(255)	(50)	(305)
Charge for the year	(47)	-	(47)
	<hr/>	<hr/>	<hr/>
At 31 December 2018	(302)	(50)	(352)
	<hr/>	<hr/>	<hr/>
At 1 January 2019	(302)	(50)	(352)
Charge for year	(50)	-	(50)
	<hr/>	<hr/>	<hr/>
At 31 December 2019	(352)	(50)	(402)
	<hr/>	<hr/>	<hr/>
Net book value			
	<hr/>	<hr/>	<hr/>
At 31 December 2019	54	-	54
	<hr/>	<hr/>	<hr/>
	<hr/>	<hr/>	<hr/>
At 31 December 2018	104	-	104
	<hr/>	<hr/>	<hr/>

Notes to the Company financial statements *(continued)*

3. *Fixed asset investments*

	Shares in group undertakings £000
Cost and Net book value	
At 31 December 2019	108,948
At 31 December 2018 (restated)	112,953

The entities subsidiaries are listed in the Group accounts see page 40 to 42.

The above value contains an impairment for £1.8m of the investment in Smartmatic UK Limited.

4. *Debtors*

	2019 £000	2018 £000
Prepayments	3,431	51
Amounts owed by group undertakings	36,063	4,291
Amounts owed by related parties	1,933	-
Other debtors	250	404
	<u>41,677</u>	<u>4,746</u>

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

Of the above intercompany debtors, £1,828,501 is considered to be due after more than one year.

5. *Creditors: amounts falling due within one year*

	2019 £000	2018 £000
Trade creditors	82	353
Amounts owed to group undertakings	19,543	13,578
Other creditors	33,713	58
Accruals	882	388
	<u>54,220</u>	<u>14,377</u>

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

Notes to the Company financial statements (continued)

6. *Paid up share capital*

	2019	2018
	£000	£000
Allotted, called up and fully paid		
109,375,086 shares of 1p each (2018:3 ordinary shares of £1 each)	829	-
	<hr/>	<hr/>