

# IndigoVision Limited

Directors' report and financial statements  
31 December 2020

Registered number SC150401



COMPANIES HOUSE  
10 DEC 2021  
EDINBURGH MAILBOX

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## Strategic report

### Strategy

On 17 March 2020 it was announced that the IndigoVision Group had reached agreement on the terms of a recommended cash acquisition by Motorola Solutions with the acquisition concluding on 16 June 2020. During this time and subsequently, IndigoVision has continued business as usual with the backing of the Motorola Solutions Group, building relationships and collaborating with the other Fixed Video businesses within the group.

The World Health Organization declared the outbreak of Covid-19 as a global pandemic on 11 March 2020. Being a worldwide organization, the effects of the pandemic were felt in stages where the virus was more prevalent.

Other key areas of strategic development for the business include:

#### **Technology innovation**

New products are brought to market regularly to maintain the Company's competitive position as technology advances. The Company operates a dual development strategy of in-house software development and the use of technology partners. The in-house engineering team ensures all products supplied within the end-to-end offering are tested robustly and fully optimised as a complete solution to deliver market leading performance and reliability. Hardware life-cycles in the security market are reducing and, by sourcing products from a number of suppliers, the Company can offer a broader product range and increase speed to market for new technology. The Company's in-house development resource is strategically weighted towards software development, to meet increased market demand for intelligent video systems for both security and operational needs.

The Company continues to look at exciting partnership opportunities to combine IndigoVision's scale and technology base with emerging technology providers to create further innovative new products, possibly including bolt-on acquisitions of complementary technologies.

#### **Sales and marketing**

New and repeat business is being won continually; new markets have been developed in line with the Company's strategy; key customer relationships are monitored on a regular basis and the performance of the regional sales teams is continually reviewed to ensure appropriate development is provided and teams resourced accordingly. The sales and marketing team structure is evolving to manage the targeted growth.

#### **Supply chain and logistics**

The Company sources products from multiple suppliers in Asia and Europe, and consolidates these in two main logistics centres in the USA and the UK, operated by third parties. The Company also operates service centres in Colombia and Brazil. The Company continually strives to improve efficiency in the supply chain and logistics functions, to provide market leading service to our global customer base.

Following the implementation of the US National Defense Authorization Act 2019 ("NDAA") and the implementation of tariffs on Chinese-sourced cameras imported into the USA, the Company has broadened its supply chain to source products elsewhere within Asia which are NDAA compliant and do not attract US tariffs.

### Results

Revenue in the year ended 31 December 2020 was \$39.8m. A decrease of \$9.9m (-20%) compared to 2019 (\$49.7m).

The Covid-19 pandemic affected all sales regions of the business. Three of the four sales regions saw a reduction in sales during 2020, with North America and APAC the hardest hit with a 30% and 29% reduction in revenue respectively. EMEA also recorded a reduction in sales of 14%. Latin American sales increased by 17% but following a tough 2019 where significant price pressure was felt in the region the area was starting from a low base point.

The gross margin, excluding other income, slightly decreased in the year to 56.8% from 57.7% in 2019, this being largely due a slight increase in sales discounts given with the highest increase being given in Latin America and also the revenue being affected more acutely in the more profitable geographic markets.

The operating loss for the year after exceptional items was \$6,382,000 compared to a profit of \$1,553,000 in 2019. This profit is stated after a foreign exchange gain of \$121,000 (2019: loss of \$204,000) and exceptional items amounting to \$7,040,000 (2019: \$403,000).

**Adjusted EBITDA**

Adjusted EBITDA is an accounting measure which the Board uses to calculate the Company's current operating profitability allowing them to focus specifically on operational performance.

	2020	2019
	\$'000	\$'000
Operating (loss)/profit after exceptional costs	<b>(6,382)</b>	1,553
Add back:		
Depreciation and amortisation	<b>1,392</b>	840
Transaction costs	<b>3,451</b>	-
Investment impairment	<b>3,231</b>	-
Office relocation costs	<b>349</b>	-
Costs of raising debt	-	202
Agora acquisition costs	<b>9</b>	201
Share based payment charge	<b>361</b>	260
Adjusted earnings before interest, tax, depreciation and amortisation	<b>2,411</b>	3,056

## Principal Risks and Uncertainties

The Board regularly reviews the risks and uncertainties to which the Company is exposed. The Board assesses risk within three categories, Macro-economic/Geo-political, Industry and Company-specific risks. It allocates a risk-rating based upon probability and potential impact and assesses the mitigating actions that the Company can take to mitigate such risks.

The principal risks and uncertainties affecting the business and the measures taken to mitigate their impact include the following:

### **Product and technology risk**

All new technologies and products involve business risk both in terms of possible abortive expenditure, risk to reputation and potential customer claims. Such risks may materially impact the Company. Appropriate measures are taken to control quality throughout the testing and qualification process and the Company has continued to improve its "New Product Introduction" procedures to minimise these risks.

### **Competitive risk**

The Company competes against both a small number of global and local suppliers of end-to-end networked video solutions in addition to a large number of video hardware-only and video software-only providers. Product innovations, technical advances, global reach and price pressure by significantly larger competitors, together with a trend towards consolidation within the industry, could adversely affect the Company. The geographical diversity of operations reduces the possible effect of action by any single competitor although individual countries and regions may well be affected. The Company values product quality and customer service as competitive differentiators and continually strives to optimise the customer experience. The Company invests directly in research and development in order to sustain a competitive advantage and also works continually to ensure that its product range is competitive.

### **Customer risk**

The Company sells its goods and services through a global authorised partner network. Potential new partners undertake a strict authorisation process, including thorough product training, to ensure the Company's products are installed and maintained to a high standard at end-user sites, and to minimise the risk to the Company's reputation in the market place. This is further supported by the Company's regional support teams who are available to assist in pre-sales and ongoing technical support. Potential new partners also undergo detailed credit checks and trade within authorised credit limits to minimise the Company's financial risk. In addition, the Company seeks to mitigate credit risk through the use of letters of credit and payments in advance where possible.

### **Supply chain and distribution risk**

The Company sources component parts from a number of global suppliers, following the acquisition by Motorola Solutions in June 2020 the internal manufacture of the core product lines has now transitioned to our Richmond, Vancouver facility in Canada. The Company continues to subcontract some of the manufacture of its goods to large manufacturers in Asia, with factories in multiple locations, as well as established European manufacturers, and now operates two main distribution hubs following the closure of the Asian distribution Hub in Q3 2020. This closure improved overall operational costs with no risk of disruption to supply to its customers. The Company obtained Authorised Economic Operator (AEO) status from the European Commission in April 2020, and seeks to work with supply partners that are also AEO accredited, or whose procedures and practices meet the required standards, to minimise risk of operating a global supply chain.

### **Impairment risk**

The Company's subsidiaries may achieve lower than expected profits, or losses. As a result of this, the value of the subsidiaries falling below the recorded investment cost would result in an impairment cost being recognized.

### **Coronavirus**

The Company and its subsidiaries are exposed to economic risks due to the ongoing outbreak of Covid-19. This may have a material impact on demand for the subsidiary's products, as customer access to end-user premises to install equipment is restricted. The Company operates in many geographical markets with varying degrees of disruption associated with the Covid-19 pandemic. This geographical spread helps mitigate demand risk as markets re-open at differing times. Delays associated with the installation of the Company's products may impact on credit terms, with a knock-on effect to cash flow.

Whilst many larger camera manufacturers are based in China and most of the production has moved to Canada, the use of Chinese components by many overseas manufacturers has led to some disruption to the supply chain both internally and for suppliers. This has had a knock-on effect to worldwide manufacturing, where manufacturing operations have been disrupted, domestic supply chains are unable to operate normally and cargo capacity has become severely limited at various times in the year. To mitigate this risk, the Company maintains an appropriate level of inventory in multiple locations to cover any short-to-medium term interruptions to the supply chain.

### **Global trade relationships**

The USA is the largest security market in the world and is a key, strategic market for the Company. The introduction of tariffs on Chinese products entering the US market, which peaked at 25% in 2019 and have subsequently reduced to 7.5% in February 2020, and the ongoing US Government concerns regarding Chinese technology being utilised in critical infrastructure and national security applications as set out in the US Government's National Defense Authorization Act 2019, may further reduce demand or increase the cost of goods manufactured in China for sale in the US. Tariff changes can be applied at short notice, political and human rights pressures are being brought to bear on the larger Chinese manufacturers making it increasingly difficult to sell their products in the US and certain other markets. The Company has mitigated this risk by diversifying its supply chain and by working with multiple manufacturing partners to develop and supply a range of products manufactured outside of China and which comply with the requirements of the NDAA.

### **Brexit**

The UK left the European Union on 31 January 2020 and is currently in a transitional period during which the trading relationship with the European Union is due to be clarified. In the event that an agreement cannot be reached with the European Union by 31 December 2020, there is likely to be significant disruption to cross-border trade and the possible introduction of new tariffs. The Company trades in a broad range of geographical markets and its sales to customers in the European Union (excluding the UK) currently account for less than 15% of revenue. In response to this Brexit uncertainty, the Company has developed contingency plans to minimise any potential disruption to supply.

### **Litigation risk**

The Company takes precautions to seek to ensure that its products do not infringe third party intellectual property or other rights. However, given that the fields of video and audio technology are heavily patented, there remains a risk that the Company may be the subject of third party claims of intellectual property right infringement. The Company was an early entrant into the video security market and holds significant prior art should a claim be made and seeks to work with third party manufacturers who have licences for such technology.

### **Foreign currencies exchange rate fluctuations**

The Company monitors short and medium term exchange rates and purchases products and components in US dollars to match the major sales currency. The Company seeks to reduce exposure to foreign exchange risk through natural hedging of US dollar income and costs. The Company currently generates euro and Canadian dollar income in excess of euro and Canadian dollar costs, and has sterling costs in excess of sterling income. Foreign currency is purchased as necessary at spot rates. The Company's management does not currently use forward exchange contracts or other currency instruments at the

present time, but continues to keep this under review. Sensitivity analysis associated with currency movements is detailed further in note 22 of the report and accounts.

### Environmental risks

The Company seeks to ensure ongoing compliance with relevant legislation and strives to ensure that environmental best practice is incorporated into its key processes. The Company's ethical sourcing policy defines the environmental responsibilities throughout the supply chain. The Company fully complies with the European Union's 'Restriction of Hazardous Substances' and 'Waste Electrical and Electronic Equipment' directives.

### The effect of legislation and other regulatory activities

The Company regularly monitors forthcoming and current legislation and taxation changes as they affect the Company.

## Financial results

Revenue for the year ended 31 December 2020 was \$39.8m (2019: \$49.7m).

Gross margins were 56.8% (2019: 57.7%).

Operating loss for the year after exceptional items was \$6.4m (2019: operating profit of \$1.6m).

The Company continues to benefit from research and development tax credits which gives rise to a current year tax credit of \$0.3m (2019: \$0.4m). The loss after tax for the year was \$8.4m (2019: profit after tax of \$1.7m).

## Key performance indicators

	2020	2019	Measure
<b>Financial KPIs</b>			
Operating margin	(16.0)%	3.1%	Operating (loss)/profit before financing costs/revenue
Underlying operating margin	1.7%	3.9%	Underlying operating (loss)/profit before financing costs/revenue
Annualised return on capital employed	(65.5)%	6.5%	(Loss)/profit before tax/total assets less current liabilities
Current ratio	1.6	1.7	Current assets / current liabilities
Debtor days	102	76	Age profile of trade receivables
Creditor days	66	74	Age profile of trade payables

## Cash and treasury

Following the acquisition by Motorola Solutions Inc, the asset based debt facility with FGI Worldwide LLC was repaid on 1 July 2020. On 18 June 2020, IndigoVision Limited was loaned \$7.0m by Motorola Solutions Finance EMEA Limited. The loan was reduced to \$4.0m on 17 December 2020 and remains outstanding at year end.

The cash balance of \$0.2m previously held by Royal Bank of Scotland plc to provide security for Company's credit card facility and duty deferment bond has been released and transferred to the Company's current

account. Cash balances are mainly held in US dollars, sterling, euros and Canadian dollars. Cash reserves in excess of current requirements are placed on a variety of term deposits. Term deposits are placed with banks from the list of the Company's approved institutions. Cash on term deposits is included within cash and cash equivalents on the balance sheet.

The Company reviews its treasury and foreign currency policies on a regular basis.

## Employees

The continuing success of the Company primarily depends on its employees across the world, who contribute daily to the achievement of the organisational goals. The Company respects its staff and recognises that they are its most valuable asset. The Company recruits and retains staff globally by offering challenging opportunities, competitive compensation packages and a good working environment.

The Company strives to provide a working environment which encourages continuous learning and development for all employees, and is committed to effective investment in training and development to achieve its business goals. The Company conducts an annual staff engagement survey to gauge employees' professional and emotional commitment to the Company and to seek feedback to drive continuous improvement.

The Company is committed to employee involvement throughout the business and operates a number of share option, share incentive and long term incentive plans which were adopted in 2018, along with a variety of cash bonus schemes.



**Alex Maktaz**

*Director*

9 December 2021

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2020.

### Principal activities and business review

The principal activity of the Company continues to be the development, manufacture and sale of networked video security systems. The Company's software, cameras, encoders and network video recorders are designed both internally and with technology partners and manufactured in Asia and Europe. The Company's end-to-end IP video security systems allow full motion video to be transmitted worldwide, in real time, with digital quality and security, over local or wide area networks, wireless links or the internet, using market leading compression technology to minimise usage of network bandwidth.

### Results and dividends

Pre-tax loss for the year was \$6.6m (2019: pre-tax profit of \$1.3m). Revenue for the year was \$39.8m (2019: \$49.7m).

During the year, the Company did not pay a dividend to IndigoVision Group Limited (2019: \$nil).

### Branches

The Company operates a branch in Dubai.

### Political and charitable contributions

The Company did not make any charitable donations (2019: \$nil) or political contributions during the year (2019: \$nil).

### Directors

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

Pedro Simoes	
Dan Pekofske	(Appointed 16 June 2020)
Oscar Henken	(Appointed 16 June 2020)
Alex Maktaz	(Appointed 16 June 2020)
Chris Lea	(Resigned 31 December 2020)

The directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Information not shown within the directors' report is shown in the strategic report instead under s414C(11).

## 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 necessary steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

By order of the board



**Alex Maktaz**  
Director

Chicago  
9 December 2021

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

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Independent auditor's report

To the members of IndigoVision Limited

## Opinion

We have audited the financial statements of IndigoVision Limited (the 'company') for the year ended 31 December 2020 which comprise the Income Statement, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

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

## Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## Other information

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

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

We have nothing to report in this regard.

## Opinions on other matters prescribed by the Companies Act 2006

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

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

### **Matters on which we are required to report by exception**

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

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

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

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on 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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's responsibilities for the audit of the financial statements**

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

### **The extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory frameworks that the company operates in and how the company is complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures, we consider the most significant laws and regulations that have a direct impact on the financial statements are IFRS and the Companies Act 2006. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures.

The audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business.

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

#### **Use of our report**

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

RSM UK Audit LLP

**ALAN AITCHISON (Senior Statutory Auditor)**  
For and on behalf of RSM UK Audit LLP, Statutory Auditor  
Chartered Accountants  
Third Floor, Centenary House  
69 Wellington Street  
Glasgow  
G2 6HG

10 December 2021

## Income statement

For the year ended 31 December 2020

	Note	2020 \$'000	2019 \$'000
Revenue	2	<b>39,799</b>	49,661
Cost of sales		<b>(17,208)</b>	(21,030)
<b>Gross profit</b>		<b>22,591</b>	28,631
Research and development expenses		<b>(3,023)</b>	(2,975)
Selling and distribution expenses		<b>(15,707)</b>	(19,858)
Administrative expenses		<b>(3,669)</b>	(3,638)
Foreign exchange loss		-	(204)
Other operating income	3	<b>466</b>	-
<b>Operating profit before exceptional costs</b>	<b>4</b>	<b>658</b>	1,956
<b>Exceptional costs</b>			
Transaction costs		<b>(3,451)</b>	-
Investment impairment		<b>(3,231)</b>	-
Office relocation costs		<b>(349)</b>	-
Cost of raising debt		-	(202)
Acquisition costs		<b>(9)</b>	(201)
<b>Total exceptional costs</b>		<b>(7,040)</b>	(403)
<b>Operating (loss)/profit after exceptional costs</b>		<b>(6,382)</b>	1,553
<b>Financial expense</b>	<b>6</b>	<b>(248)</b>	(247)
<b>(Loss)/profit before tax</b>		<b>(6,630)</b>	1,306
Income tax credit	7	<b>(1,795)</b>	393
<b>(Loss)/profit for the year</b>		<b>(8,425)</b>	1,699

*Analysed as:*

Underlying profit for the period attributable to equity holders of the parent	<b>(8,425)</b>	1,699
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Revenue and loss after tax for the year and comparative period relate wholly to continuing activities.

There were no recognised gains or losses for the year or preceding period other than those shown above. Accordingly no Statement of Other Comprehensive Income has been presented.

**Balance sheet**  
**As at 31 December 2020**

	Note	2020 \$'000	2019 \$'000
<b>Non-current assets</b>			
Property, plant and equipment	8	95	2,208
Intangible assets	9	1,518	487
Investment in subsidiary	10	9	3,141
Deferred tax	11	-	2,144
<b>Total non-current assets</b>		<b>1,622</b>	<b>7,980</b>
<b>Current assets</b>			
Inventories	12	5,445	8,458
Trade and other receivables	13	12,983	15,572
Cash and cash equivalents	14	4,790	4,393
<b>Total current assets</b>		<b>23,218</b>	<b>28,423</b>
<b>Total assets</b>		<b>24,840</b>	<b>36,403</b>
<b>Current liabilities</b>			
Trade and other payables	15	(14,633)	(13,403)
Borrowings	16	-	(2,564)
Lease liabilities	16	(6)	(246)
Provisions	18	(86)	(113)
<b>Total current liabilities</b>		<b>(14,725)</b>	<b>(16,326)</b>
<b>Non-current liabilities</b>			
Provisions	18	(81)	(84)
Lease liabilities	16	-	(1,407)
Other non-current liabilities	19	(1,645)	(2,144)
<b>Total non-current liabilities</b>		<b>(1,726)</b>	<b>(3,635)</b>
<b>Total liabilities</b>		<b>(16,451)</b>	<b>(19,961)</b>
<b>Net assets</b>		<b>8,389</b>	<b>16,442</b>
<b>Equity</b>			
Called up share capital	20	398	398
Share premium account		8,434	8,434
Capital contribution reserve		3,163	2,802
Special reserve		760	760
Profit and loss account		(4,366)	4,048
<b>Total equity attributable to equity holders of the parent</b>		<b>8,389</b>	<b>16,442</b>

These financial statements were approved by the Board of Directors on 9 December 2021 and were signed on its behalf by:



**Alex Maktaz**  
 Director

## Statement of changes in equity

For the year ended 31 December 2020

	Share capital	Share premium	Capital contribution reserve	Special reserve	Retained earnings	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2019	398	8,434	2,542	760	2,322	14,456
Adoption of IFRS 16 adjustment	-	-	-	-	44	44
Profit for the year	-	-	-	-	1,699	1,699
Equity-settled transactions, including deferred tax effect	-	-	260	-	(17)	243
Balance at 31 December 2019	398	8,434	2,802	760	4,048	16,442
Profit for the year	-	-	-	-	(8,425)	(8,425)
Equity-settled transactions, including deferred tax effect	-	-	361	-	11	372
<b>Balance at 31 December 2020</b>	<b>398</b>	<b>8,434</b>	<b>3,163</b>	<b>760</b>	<b>(4,366)</b>	<b>8,389</b>

## Statement of cash flows

For the year ended 31 December 2020

	2020 \$'000	2019 \$'000
<b>Cash flows from operating activities</b>		
(Loss)/profit for the year	(8,425)	1,699
Adjusted for:		
Depreciation and amortisation	1,392	840
Financial expense	(248)	(247)
Share based payment expense	361	260
Foreign exchange gain	(132)	204
Loss on disposal of property, plant and equipment	11	-
Impairment loss	3,231	-
Income tax credit	1,795	(393)
Decrease/(increase) in inventories	3,013	(467)
Decrease/(increase) in trade and other receivables	2,589	(1,682)
Increase in trade and other payables	731	3,040
(Decrease)/Increase in provisions	(30)	14
<b>Cash generated from operations</b>	<b>4,288</b>	<b>3,268</b>
Income taxes received	282	515
<b>Net cash inflow from operating activities</b>	<b>4,570</b>	<b>3,783</b>
<b>Cash flows from investing activities</b>		
Interest received	1	2
Acquisition of property, plant and equipment	(134)	(246)
Acquisition of intangible assets	(1,518)	(253)
Proceeds from employee stock options	100	-
Proceeds from the sale of fixed assets	10	-
Acquisition of subsidiaries	-	(2,856)
<b>Net cash outflow from investing activities</b>	<b>(1,541)</b>	<b>(3,353)</b>
<b>Cash flows from financing activities</b>		
Interest paid	(219)	(173)
Lease liability payments	(335)	(314)
(Repay)/receive borrowings	(2,564)	2,564
<b>Net cash (outflow)/inflow from financing activities</b>	<b>(3,118)</b>	<b>2,077</b>
Net (decrease)/increase in cash and cash equivalents	(89)	2,507
Cash and cash equivalents at start of period	4,393	1,843
Effect of exchange rate fluctuations on cash held	486	43
<b>Cash and cash equivalents at 31 December</b>	<b>4,790</b>	<b>4,393</b>

## Notes to the financial statements

### 1. Significant accounting policies

IndigoVision Limited (the "Company") is a private company limited by shares and is domiciled and registered in Scotland. The registered address is Caledonian Exchange, 1<sup>st</sup> Floor, 19a Canning Street, Edinburgh, EH3 8EG.

The Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

The financial statements were authorised for issue by the directors on 9 December 2021.

#### (a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union ("Adopted IFRSs").

#### (b) New Accounting Standards and Interpretations adopted

The Company has adopted all of the new or amended Accounting Standards and Interpretations issued by the International Accounting Standards Board ('IASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the Company:

#### (i) IFRS 16 'Leases'

The Company has adopted IFRS 16 from 1 January 2019. IFRS 16 replaces IAS 17 'Leases'. The Company previously split leases between 'finance leases' that transferred substantially all the risks and rewards incidental to ownership of the asset to the company, and 'operating leases'. This is described further in the accounting policies below.

The main change on application of IFRS 16 is the accounting for 'operating leases' where rentals payable (as adjusted for lease incentives) were previously expensed under IAS 17 on a straight-line basis over the lease term. Under IFRS 16 a right-of-use asset and a lease liability are recognised for all leases except 'low-value' and 'short-term leases' where lease payments are recognised on a straight-line basis over the lease term.

The Company has applied IFRS 16 retrospectively to all leases, but has elected to recognise the cumulative effect against opening reserves at 1 January 2019. Therefore, the comparative figures are as previously reported under IAS 17. The Company has applied this approach subject to the transition provisions set out below.

- For all contracts that existed prior to 1 January 2019, the Company has not applied IFRS 16 to reassess whether each contract is, or contains, a lease.
- Initial direct costs have been excluded from the measurement of the right-of-use assets.
- Hindsight has been applied in determining the lease term for contracts that contain lease extension or termination options.

#### Operating leases under IAS 17, except 'low value' and 'short-term' leases

The lease liability is measured at the present value of the remaining lease payments at 1 January 2019, discounted at the lessee's incremental borrowing rate at that date.

The right-of-use asset is measured at the amount of the lease liability recognised in accordance with the measurement set out above, adjusted for accrued or prepaid operating lease payments at 1 January 2019.

## **(b) New Accounting Standards and Interpretations adopted (continued)**

### **'Low-value' leases**

When the value of the underlying asset (if new) at 1 January 2019 is \$5,000 or less, the Company has continued to recognise the lease payments associated with those leases on a straight-line basis over the lease term.

### **'Short-term' leases**

Where the lease term ends before 31 December 2020, the Company has continued to recognise the lease payments associated with those leases on a straight-line basis over the lease term.

### **Finance leases under IAS 17**

The carrying amounts of the lease liability and right-of-use asset at 1 January 2019 are measured under IAS 17. IFRS 16 is applied thereafter.

The impact on the financial performance and position of the Company from the adoption of these Accounting Standards is detailed in note 17.

## **(c) Basis of preparation**

### **(i) Going Concern**

At 16 June 2020 ultimate ownership of the Company transferred to Motorola Solutions, Inc., who have confirmed the provision of financial support to the Company for the foreseeable future at a level sufficient to enable the Company to meet its liabilities as they fall due, and will therefore not demand repayment of the amounts due from the Company for a period of at least the next 12 months from the date of approval of the Company's balance sheet at 31 December 2020.

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report and Directors' Report on pages 2 to 9. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the Directors' Report. In addition, note 22 to the financial statements includes the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

As part of its going concern review the Board has followed the guidelines published by the Financial Reporting Council entitled 'Going Concern and Liquidity Risk Guidance for UK Companies 2009'. In determining the appropriate basis of preparing the financial statements, the directors are required to consider whether the Company can continue in operational existence for the foreseeable future, being a period of not less than 12 months from the date of the approval of the financial statements. As at 31 December 2020 the Group had cash and cash equivalents of \$4.8m and net current assets of \$8.1m.

Management prepares detailed working capital forecasts which are reviewed by the Board on a regular basis. Cash flow forecasts and projections have been prepared through to December 2022 and take into account sensitivities on revenues and costs, including those associated with the impact of Covid-19. Having made relevant and appropriate enquiries, including consideration of the Company's and the Group's current cash resources, working capital forecasts and the availability of debt funding, the Directors have a reasonable expectation that the Company and the Group will have adequate cash resources to continue to meet the requirements of the business for at least the next 12 months. Accordingly, the Board continues to adopt the going concern basis in preparing the financial statements.

### **(ii) Management judgement, estimates and assumptions**

The preparation of financial statements in conformity with adopted IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

**(c) Basis of preparation (continued)**

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

Judgements made by management in the application of adopted IFRSs that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 26.

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

**(d) Foreign currency**

**(i) Functional currency**

The Company's earnings stream is primarily US dollars and the principal functional currency is the US dollar, being the most representative currency of the Company. The Company's financial statements are therefore prepared in US dollars.

The exchange rates used in the preparation of these financial statements are stated in note 22. They are prepared on the historical cost basis.

**(ii) Foreign currencies**

Transactions in foreign currencies are translated 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 translated to US Dollars 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 transaction.

**(e) Revenue**

Revenue comprises income from the sale of goods, income from technical support activities, income from the sales of software upgrade contracts for between one and five years, royalty income earned during the period and excludes sales taxes.

**(i) Product revenues**

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer, in line with individual incoterms, which is normally when the goods have been despatched from the warehouse or are available for customer collection.

**(ii) Technical support activities**

Revenue from technical support activities is recognised on completion of the service.

**(iii) Software Upgrade Contracts**

Revenue from the sale of software upgrade contracts for between one and five years in length is deferred on the balance sheet and recognised in the income statement on a straight-line basis over the length of the contract.

**(iv) Extended warranty**

Revenue from the sale of extended warranty services is deferred and is recognised across the period to which the extended warranty relates.

## **(f) Expenses**

### **(i) Net financing expense**

Net financing expense comprises interest payable and associated costs charged on borrowings and interest receivable on cash deposits.

Interest recognised on lease liabilities under IFRS 16 is also recognised within net financing expense.

### **(g) Income tax**

The tax expense represents the sum of the current taxes payable 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.

The current tax payable is based on taxable income for the year using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the asset recognised to be recovered. Deferred tax is calculated using tax rates that are enacted or substantially enacted at the balance sheet date.

## **(h) Investments**

Investments in subsidiaries are carried at cost less provision for any impairment. The foreign currency value of the investments are translated to US dollars at the exchange rates ruling at the balance sheet date for presentation purposes in the financial statements.

### **(i) Property, plant and equipment**

#### **(i) Owned assets**

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below). Cost includes expenditure that is directly attributable to the acquisition of the asset.

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.

#### **(ii) Depreciation**

Depreciation is charged to the income statement on a straight-line basis over the estimated useful life of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

- |                           |              |
|---------------------------|--------------|
| • fixtures and fittings   | 3 - 10 years |
| • plant and equipment     | 3 - 5 years  |
| • computer hardware       | 3 years      |
| • demonstration equipment | 2 years      |

**(i) Property, plant and equipment (continued)**

The residual value, if not insignificant, and useful lives, are reassessed annually.

**(iii) Initial and subsequent measurement of right-of-use assets**

A right-of-use asset is recognised at commencement of the lease and initially measured at the amount of the lease liability, plus any incremental costs of obtaining the lease and any lease payments made at or before the leased asset is available for use by the Company.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses. The depreciation methods applied are as follows:

- Leased property - On a straight-line basis over the shorter of the lease term or estimated useful life
- Leased office equipment - On a straight-line basis over the shorter of the lease term or estimated useful life

**(iv) Finance lease assets**

Leases under which the Company 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 impairment losses. Lease payments are accounted for as described below.

**(j) Intangible assets**

**(i) Research and development**

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

An internally generated intangible asset arising from the Company's product development is recognised only if all of the following conditions are met:

- an asset is created that can be identified;
- the project from which the asset arises meets the Company's criteria for assessing technical feasibility;
- it is probable that the asset created will generate future economic benefits, and
- the development cost of the asset can be measured reliably.

Internally generated intangible assets are amortised on a straight line basis over their useful lives. Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

**(ii) Computer software**

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring into use the specific software. These costs are amortised using the straight line method over their estimated useful lives (1 to 3 years). Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

**(iii) Intellectual property**

Acquired intellectual property is capitalised on the basis of the costs incurred to acquire and bring into use the specific software. These costs are amortised using the straight line method over their estimated useful lives (1 to 3 years). Costs associated with developing the intellectual property are recognised as an expense as incurred.

**(k) Trade and other receivables**

Trade and other receivables are stated at their fair value on initial recognition and then amortised cost as reduced by appropriate allowances for specific estimated irrecoverable amounts and expected credit losses where necessary.

**(l) Inventories**

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is based on the average cost principle and is the expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

**(m) 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 of the statement of cash flows.

**(n) Impairment**

The carrying amounts of the Company's assets, other than inventories (see accounting policy l), trade and other receivables (see accounting policy h) and deferred tax assets (see accounting policy s), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see accounting policy k (i)).

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

**(i) Calculation of recoverable amount**

The recoverable amount of assets is the greater of their fair value less costs to sell and value in use. In assessing fair value, 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 an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

**(ii) Reversal of impairment**

An impairment loss is reversed if there has been a positive 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.

**(o) Lease liabilities**

**Initial measurement of the lease liability**

The lease liability is initially measured at the present value of the lease payments during the lease term discounted using the interest rate implicit in the lease, or the incremental borrowing rate if the interest rate implicit in the lease cannot be readily determined.

The lease term is the non-cancellable period of the lease plus extension periods that the Company is reasonably certain to exercise and termination periods that the Company is reasonably certain not to exercise.

**Subsequent measurement of the lease liability**

The lease liability is subsequently increased for a constant periodic rate of interest on the remaining balance of the lease liability and reduced for lease payments. Interest on the lease liability is recognised in profit or loss.

Variable lease payments not included in the measurement of the lease liability as they are not dependent on an index or rate, are recognised in profit or loss in the period in which the event or condition that triggers those payments occurs.

**(o) Lease liabilities (continued)**

**Short-term leases**

Where the lease term is twelve months or less and the lease does not contain an option to purchase the leased asset, lease payments are recognised as an expense on a straight-line basis over the lease term.

**Leases of low-value assets**

Leases where the underlying asset is 'low-value', lease payments are recognised as an expense on a straight-line basis over the lease term.

**(p) Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are shown in equity as a deduction from equity. Dividends are recognised as a liability in the year in which they are approved by shareholders.

**(q) Employee benefits**

**(i) Defined contribution plans**

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

**(ii) Share-based payment transactions**

The share option programme allows eligible employees to acquire shares in IndigoVision Group plc. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the number of share options 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 share options that meet the related service and non-market performance conditions at the vesting date, except where forfeiture is only due to share prices not achieving the threshold for vesting.

As the Company's parent grants rights to its equity instruments to the Company's employees, which are accounted for as equity-settled in the consolidated accounts of the parent, the Company accounts for these share-based payments as equity-settled with the increase being recorded as a capital contribution received.

Amounts recharged to the Company by the parent are recognised as a reduction in the capital contribution received. If the amount recharged exceeds the capital contribution received the excess is recognised as a negative capital contribution.

**(iii) Long term incentive plan**

The IndigoVision Group plc 2008 and 2018 Long Term Incentive Plans (the LTIPs) enable grants of conditional awards of shares, nil-cost options over shares and nominal value options over shares to employees and executive directors of the Company. The grant date fair value of conditional shares and share option awards (including unitised awards under the 2018 LTIP) is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the shares. The fair value of the awards are measured using a valuation model, taking into account the terms and conditions upon which the LTIPs were granted.

**(q) Employee benefits (continued)**

**(iv) Share Incentive Plans**

The parent company has established a number of share incentive plans to enable all employees and sales agents to purchase or nationally purchase shares, as set out in note 21.

The Company's parent matches each share purchased through the UK Employee Scheme on a 1:1 basis. The fair value of the free matching share is measured using the Black-Scholes option valuation model, taking into account the terms and conditions upon which the shares were granted, and spreads the value over the 3 year vesting period.

The International Agents Incentive plan and the International Employee's Incentive Plan are cash settled plans. The Company's parent matches each share notionally purchased through these schemes on a 1:1 basis. The Company accounts for the liability for the free notional share by marking to market at each financial period end.

**(r) Provisions**

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

A provision for warranties is recognised when the underlying products are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

**(s) Trade and other payables**

Trade and other payables are not interest bearing and are stated at their fair value at inception and then at amortised cost.

**(t) New standards and interpretations not yet adopted**

The 2020 financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The adoption of new standards and interpretations will not have a material impact on future financial statements.

**2. Revenue**

	2020 \$'000	2019 \$'000
<b>Revenues from:</b>		
Products/solutions	29,548	37,709
Support services	24	16
Software licences	6,485	8,070
Software upgrade contracts	3,487	3,808
Extended warranties	255	58
	<b>39,799</b>	<b>49,661</b>

## Notes to the financial statements

### 3. Other income

	2020 \$'000	2019 \$'000
<b>Other income from:</b>		
Government grants	334	-
Foreign exchange gain	132	-
	<b>466</b>	<b>-</b>

The Company has recognised government grant income of \$334,000 in relation to the Coronavirus Job Retention Scheme (CJRS) whereby the government covered 80% of salary cost for furloughed employees.

### 4. Operating profit

	2020 \$'000	2019 \$'000
Operating loss is stated after charging:		
Depreciation and amortisation	1,392	840
Exceptional costs – Transaction costs	3,451	-
Exceptional costs – Investment impairment	3,231	-
Exceptional costs – Office relocation costs	349	-
Exceptional costs – cost of raising debt	-	202
Exceptional costs – acquisition costs	9	201
Share based payment charge	361	260
Foreign exchange (gain)/loss	(132)	204
Net write down of inventories to realisable value	467	426
Allowance for/recovery of doubtful trade receivables	172	59
Research & development expenditure	3,023	2,975
Fees payable to the Company's auditor:		
Audit of these financial statements	59	51
Tax compliance and advisory	32	22
All other services	65	9

## Notes to the financial statements

### 5. Staff Costs and numbers

	2020 \$'000	2019 \$'000
Wages and salaries	8,812	6,508
Compulsory social security contributions	814	664
Contributions to defined contribution plans	469	543
Equity-settled share based payment transactions	361	260
Redundancy	565	-
	<b>11,021</b>	<b>7,975</b>

No development costs were capitalised in the year and recognised as an addition to intangible assets (2019: \$223,000). The figures above include the directors' remuneration. Directors' emoluments are disclosed below.

	2020 \$'000	2019 \$'000
Average number of employees, including executive directors and excluding retained agents, by activity		
Selling and distribution	33	34
Research & Development	39	39
Administration	20	25
	<b>92</b>	<b>95</b>

	2020 \$'000	2019 \$'000
<b>Remuneration of directors</b>		
Directors emoluments	1,870	1,048
Company contributions to money purchase pension schemes	62	86
	<b>1,932</b>	<b>1,134</b>

	Number of directors	
	2020 Number	2019 Number
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	2	2
The number of directors who exercised share options	2	-

The aggregate emoluments of the highest paid director were \$977,000 (2019: \$575,000), and company pension contributions of \$26,000 (2019: \$34,000) were made to a money purchase scheme on the individual's behalf.

## Notes to the financial statements

### 6. Net financing expense

	2020 \$'000	2019 \$'000
Interest payable	67	38
Interest payable on borrowings	72	124
Interest on lease liabilities	30	76
Cost of raising borrowings	80	11
Interest receivable	(1)	(1)
<b>Net financing expenses</b>	<b>248</b>	<b>247</b>

### 7. Income tax expense

#### Recognised in the income statement

	2020 \$'000	2019 \$'000
<b>Current tax credit</b>		
UK tax	(349)	(35)
Adjustments in respect of prior periods (current & inter-co)	-	54
Overseas tax	-	-
Adjustments in respect of prior periods (foreign tax)	-	-
	<b>(349)</b>	<b>19</b>
<b>Deferred tax credit</b>		
Origination and reversal of temporary differences	(171)	(412)
Reduction in tax rate	-	-
Adjustment to the recoverable amount of deferred tax assets	2,315	-
	<b>2,144</b>	<b>(412)</b>
<b>Total income tax charge/(credit) in income statement</b>	<b>1,795</b>	<b>(393)</b>

## Notes to the financial statements

### 7. Income tax expense (continued)

#### Reconciliation of effective tax rate

	2020 \$'000	2019 \$'000
(Loss)/Profit before tax	<b>(6,630)</b>	<b>1,306</b>
Income tax using the UK corporation tax rate of 19% (2019: 19%)	<b>(1,260)</b>	<b>248</b>
Effects of:		
Non-deductible expenses	<b>77</b>	<b>141</b>
Research & Development tax credit	-	<b>(461)</b>
Investment impairment	<b>614</b>	-
Surrender of tax losses for R&D credit refund	-	<b>16</b>
Deferred tax not recognised	-	<b>(341)</b>
Adjust deferred tax to average rate of 19%	-	<b>8</b>
Prior year adjustment – current tax	-	<b>67</b>
Other timing differences	-	<b>(57)</b>
Adjustment to the recoverable amount of deferred tax assets	<b>2,315</b>	-
Exchange rate	<b>(81)</b>	<b>(14)</b>
Group loss relief	<b>22</b>	-
Rate difference on R&D loss relief	<b>108</b>	-
	<b>1,795</b>	<b>(393)</b>

## Notes to the financial statements

### 8. Property, plant and equipment

	Right of use asset \$'000	Plant and equipment \$'000	Fixtures and fittings \$'000	Computer hardware \$'000	Demo equipment \$'000	Total \$'000
<b>Cost</b>						
Balance at 1 January 2019	1,858	1,887	1,063	1,509	1,045	7,362
Additions – owned assets	-	78	-	125	44	247
Additions – right of use assets	13	-	-	-	-	13
Balance at 31 December 2019	1,871	1,965	1,063	1,634	1,089	7,622
Additions – owned assets	-	31	-	66	37	134
Disposals – owned assets	-	-	(57)	(18)	(1)	(76)
Disposals – right of use assets	(1,321)	-	-	-	-	(1,321)
Balance at 31 December 2020	550	1,996	1,006	1,682	1,125	6,359
<b>Depreciation</b>						
Balance at 1 January 2019	-	1,718	718	1,329	925	4,690
Depreciation charge for the year	259	146	100	132	87	724
Balance at 31 December 2019	259	1,864	818	1,461	1,012	5,414
Depreciation charge for the year	246	116	233	201	109	905
Disposals – owned assets	-	-	(49)	(5)	(1)	(55)
Balance at 31 December 2020	505	1,980	1,002	1,657	1,120	6,264
<b>Net Book Value</b>						
At 31 December 2019	1,612	101	245	173	77	2,208
At 31 December 2020	45	16	4	25	5	95

The directors have considered the value of the fixed assets of the Company and are satisfied that the aggregate value of these assets at the time in question was not less than the aggregate amount at which they are stated above.

## Notes to the financial statements

### 9. Intangible assets

	Intangible assets under Construction	Computer software	Development costs	Intellectual property	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Cost</b>					
Balance at 1 January 2019	133	954	-	-	1,087
Completed assets under construction	54	-	199	-	253
Additions	(187)	187	-	-	-
Balance at 31 December 2019	-	1,141	199	-	1,340
Additions	-	-	-	1,518	1,518
Balance at 31 December 2020	-	1,141	199	1,518	2,858
<b>Amortisation and impairment losses</b>					
Balance at 1 January 2019	-	737	-	-	737
Amortisation for the year	-	116	-	-	116
Balance at 31 December 2019	-	853	-	-	853
Amortisation for the year	-	288	199	-	487
Balance at 31 December 2020	-	1,141	199	-	1,340
<b>Net book value</b>					
At 31 December 2019	-	288	199	-	487
At 31 December 2020	-	-	-	1,518	1,518

### 10. Investments in subsidiaries

	2020 \$'000	2019 \$'000
<b>Cost</b>		
At start of period	3,141	9
Additions – acquisition of subsidiary	99	3,132
Investment impairment	(3,231)	-
At end of period	9	3,141

On 31 December 2020, the intellectual property of AgoraSys S.A was transferred to IndigoVision Limited. The impairment follows the transfer of the intellectual property which has significantly reduced the future profitability of the legal entity, thereby resulting in an impairment to the carrying value of the subsidiary investment.

These financial statements are the separate financial statements of the company and its subsidiary financial statements are not consolidated.

## Notes to the financial statements

### 10. Investments in subsidiaries (continued)

IndigoVision Limited owns 100,000 common stock shares of \$0.01 (100%) of IndigoVision Inc, a company incorporated in the USA; 1 ordinary share of \$1 (100%) of IndigoVision Pte Ltd, a company incorporated in Singapore; share capital of 24,000 Macau Patacas (100%) of IndigoVision Video Security Solutions, a company incorporated in Macau; and 1 ordinary share of \$1 (100%) of IndigoVision Australia Pty Ltd, a company incorporated in Australia. The principal activity of all these companies is the marketing of the Company's products.

IndigoVision Pte Ltd owns 1 ordinary share of RMB 1,000,000 (100%) of IndigoVision Security Systems (Shanghai) Co.,Ltd, a company incorporated in China. The principal activity of this company is the marketing of the Company's products.

AgoraSys S.A. owns 100% of the ordinary shares of Observit S.L..

All subsidiaries	Registered office address	Country of incorporation	Ownership interest	
			2020 %	2019 %
IndigoVision Inc <sup>1</sup>	300 Broadacres Drive, 4th Floor, Unit 415, Bloomfield, NJ 07003 -3153, United States of America	United States of America	-	100
IndigoVision Pte Ltd	80 Robinson Road, #02-00, Singapore, 068898	Singapore	100	100
IndigoVision Video Security Solutions Limited. <sup>2</sup>	Avenida da Praia Grande, n.º 815, 4º andar, Edifício Centro Comercial Talento, Macau	Macau	-	100
IndigoVision Australia Pty Ltd	Level 5, Deutsche Bank Place, 126 Phillip Street, Sydney, New South Wales, 2000	Australia	100	100
Indigo Vision Security System (Shanghai) Co., Ltd	465 Zhenning Road, 161-3-385, Changning District, Shanghai	China	100	100
AgoraSys S.A	Rua da Cova da Moura, n. 2 - 3º Esq., 1350-117, Lisbon	Portugal	100	100
Observit Espanha S.L. <sup>3</sup>	C/ Marques de Ahumada, 7 - 2º, 28028 Madrid	Spain	-	100

<sup>1</sup> IndigoVision Inc was transferred to Avigilon USA Corporation on 31 December 2020

<sup>2</sup> IndigoVision Video Security Solutions Limited was liquidated on 31 December 2020

<sup>3</sup> Observit Espanha S.L. was liquidated on 27 July 2020

## Notes to the financial statements

### 11. Deferred tax assets and liabilities

#### Recognised deferred tax assets

Deferred tax assets are attributable to the following:

	2020 \$'000	2019 \$'000
Employee benefits – share based payments	-	24
Value of tax losses carried forward	-	2,042
Depreciation in excess of capital allowances	-	79
Other timing differences	-	(1)
<b>Tax assets</b>	<b>-</b>	<b>2,144</b>

#### Unrecognised deferred tax assets

Deferred tax assets have not been recognised in the current period in respect of the following items:

	2020 \$'000	2019 \$'000
Tax losses – UK	-	2,622
Tax losses – Non UK	-	-
<b>Tax assets</b>	<b>-</b>	<b>2,622</b>

#### Movement in temporary differences during the year

	1 January 2019 \$'000	Recognised in income \$'000	31 December 2019 \$'000
Employee benefits – share-based payments	24	-	24
Tax value of losses carried forward	1,671	371	2,042
Depreciation in excess of capital allowances	32	47	79
Other timing differences	5	(6)	(1)
	<b>1,732</b>	<b>412</b>	<b>2,144</b>

  

	1 January 2020 \$'000	Recognised in income \$'000	31 December 2020 \$'000
Employee benefits – share-based payments	24	(24)	-
Tax value of losses carried forward	2,042	(2,042)	-
Depreciation in excess of capital allowances	79	(79)	-
Other timing differences	(1)	1	-
	<b>2,144</b>	<b>(2,144)</b>	<b>-</b>

#### Tax losses

Substantial tax losses are available for offset against future taxable profits. At 31 December 2020 such losses amounted to \$27.2m (2019: \$27.2m).

## Notes to the financial statements

### 11. Deferred tax assets and liabilities (continued)

#### Factors affecting future tax charges

The corporation tax rate for the 2020 fiscal year, commencing 1 April 2020, was included in the Finance Act 2016 at 17%, and this rate was substantively enacted on 6 September 2016. However, in the budget speech on 11 March 2020, the Chancellor announced that the corporation tax rate would remain at 19%, the rate in force for the 2019 financial year. On 17 March 2020 a resolution having statutory effect was passed under the Provisional Collection of Taxes Act 1968, setting the rate at 19%.

### 12. Inventories

	2020 \$'000	2019 \$'000
Raw materials and consumables	149	189
Finished goods	5,296	8,269
	<b>5,445</b>	<b>8,458</b>

The write-down of inventories to net realisable value amounted to \$467,000 (2019: \$426,000). In the 12 month period, raw material, consumables and changes to finished goods recognised as cost of sales amounted to \$16.7m (2019: \$20.9m).

### 13. Trade and other receivables

	2020 \$'000	2019 \$'000
Trade receivables	12,001	13,474
Other receivables	627	1,501
Prepayments and accrued income	342	597
Amounts owed to group companies	13	-
	<b>12,983</b>	<b>15,572</b>

The Company's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 22.

### 14. Cash and cash equivalents

	2020 \$'000	2019 \$'000
Bank balances and cash and cash equivalents in the statement of cash flows	4,790	4,393

The Company's exposure to interest rate risk is disclosed in note 22.

## Notes to the financial statements

### 15. Trade and other payables

	2020 \$'000	2019 \$'000
Trade payables	4,805	8,103
Taxation and social security	572	238
Other payables	34	116
Accruals and deferred income	4,108	3,765
Extended warranty income	127	45
Amounts owed to group companies	4,987	1,136
	<b>14,633</b>	<b>13,403</b>

### 16. Borrowings

The total secured liabilities (current and non-current) are as follows:

	2020 \$'000	2019 \$'000
Debt facility	-	2,564
Lease liabilities (note 17)	6	1,653

#### Assets pledged as security

On 1 July 2020 the asset-based debt facility was repaid in full following the acquisition of IndigoVision. All assets pledged as security were released following the pay off.

The lease liabilities are effectively secured as the rights to the leased assets, recognised in the income statement, revert to the lessor in the event of default.

#### Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	2020 \$'000	2019 \$'000
Debt facility (maximum availability)	-	10,000
Debt facility (availability at the reporting date)	-	6,429
Debt facility used at the reporting date	-	2,564
Debt facility unused at the reporting date	-	3,865

## Notes to the financial statements

### 17. Leases

The lease liabilities on the balance sheet at 31 December 2020 were \$6,000 (2019: \$1,653,000). Disclosure of the carrying amounts of right-of-use assets by class and additions to right-of-use assets has been provided in note 8.

Effect of leases on financial performance:

	2020 \$'000	2019 \$'000
Depreciation charge for the year included in 'administrative expenses' for right-of-use assets:		
- Leasehold property	241	258
- Computer hardware	5	1
<b>Total depreciation charge on leased assets</b>	<b>246</b>	<b>259</b>

The carrying amount of right-of-use assets at 31 December 2020 was \$45,000.

	2020 \$'000	2019 \$'000
Lease expense in the year included in 'administrative expenses' for:		
- Short-term leases, excluding leases with a term of one month or less	96	228
- Leases of low-value assets, excluding Short-term leases disclosed above	3	3
	<b>99</b>	<b>231</b>

The total interest expense for the year on lease liabilities recognised in 'finance costs' was \$30,000 (2019: \$76,000) and the total cash outflow for lease liabilities in the year was \$305,000 (2019: \$354,000).

The maturity of the gross contractual undiscounted cash flows due on the Company's lease liabilities is set out below based on the period between 31 December and the contractual maturity date:

	Within 6 months	6 months-1 year	1-5 years	Over 5 years	Total as at 31 December 2020
Property leases	-	-	-	-	-
Office equipment leases	2	2	2	-	6
	2	2	2	-	6

	Within 6 months	6 months-1 year	1-5 years	Over 5 years	Total as at 31 December 2019
Property leases	154	154	1,232	308	1,848
Office equipment leases	2	2	6	-	10
	156	156	1,238	308	1,858

## Notes to the financial statements

### 18. Provisions

	2020 \$'000	2019 \$'000
Product warranties		
Balance at start of period	197	183
Provision made during the period	107	584
Provision used during the period	(137)	(570)
Balance at end of period	167	197
Non-current	81	84
Current	86	113
	<b>167</b>	<b>197</b>

The provision relates to possible claims on products sold during the two year warranty period granted at the point of sale. The provision has been based on analysis of product introductions and instances of actual goods returned, and is expected to be utilised within the next two years.

### 19. Other non-current liabilities

	2020 \$'000	2019 \$'000
Deferred income	1,280	1,569
Extended warranty	365	572
International Agents Incentive Plan	-	3
	<b>1,645</b>	<b>2,144</b>

### 20. Capital and reserves

#### Share capital

	Ordinary shares	
	2020 \$'000	2019 \$'000
<i>Allotted called up and fully paid</i>		
2,429,042 ordinary shares of 10p	398	398

The holders of ordinary shares are entitled to one vote per share at meetings of the Company and are entitled to receive dividends as recommended by the Directors. The holders of ordinary shares also have an unlimited right to share in the surplus remaining on winding up after all creditors are satisfied.

#### Special reserve

The Special reserve account represents the balance held by the Company for creditor protection following the court ruling on 27 June 2008 allowing the transfer of £26,788,184 of the share premium account to distributable reserves.

## Notes to the financial statements

### **20. Capital and reserves (continued)**

#### **Capital contribution reserve**

The capital contribution reserve represents IFRS 2 share based payment charges, \$361,000 was recognised for the year ended 31 December 2020 (2019: \$260,000).

#### **Dividends**

No interim dividend (2019: nil) was paid during the year. No final dividend was declared by the directors (2019: nil).

### **21. Share based payments**

#### **Share Option Schemes**

IndigoVision Group Limited ("the parent company") has established a number of share option schemes that entitle Directors, senior management and other employees to purchase shares in the Company. Grants have been made of share options in the period from 2000 to date.

#### **The Tax Advantaged Share Option Schemes**

The parent company currently operates two tax advantaged, discretionary share options schemes: The 2008 Approved Share Option Scheme and the 2018 Company Share Option Scheme, with the latter being introduced during the year to replace the former, which had reached the end of its ten year life.

Under these plans (which are intended to satisfy certain legislative requirements) the Remuneration Committee may grant selected eligible employees in the United Kingdom tax advantaged share options up to certain specified statutory limits.

#### **The Unapproved Share Option Schemes**

The parent company has two "unapproved" share option schemes (being arrangements that are not intended to benefit from any particular tax advantages in the UK): The 2008 Unapproved Share Option Scheme and the 2018 Employee Share Option Scheme, with the latter being introduced during the year to replace the former, which had reached the end of its ten year life.

Under these plans the remuneration committee may grant selected eligible employees options that exceed the value limit of the HM Revenue and Customs tax advantaged share option plans. Options granted under this scheme may be exercised between three and ten years from the grant date. The scheme is open to all employees.

#### **Stand-Alone Option Agreements**

The remuneration committee of the parent company has sole discretion to grant share options through stand-alone option agreements to sales agents or other consultants or advisors to the Company. The remuneration committee can determine the terms and conditions that apply to each agreement.

#### **The Long Term Incentive Plan (LTIP) 2008**

On 3 June 2008, the parent company established the IndigoVision Group plc 2008 Long Term Incentive Plan. This plan is intended to award share options and/or conditional share awards to selected employees of the Company.

#### **The Share Incentive Plan 2010 (SIP)**

On 10 August 2010, the parent company established the IndigoVision Group plc Share Incentive Plan 2010, which is approved by HM Revenue and Customs and open to all employees in the United Kingdom. Under the HM Revenue & Customs approved limits, employees may purchase from a minimum of £10 to a maximum of £150 worth of shares per month from a deduction made from gross pay. The parent company matches each share purchased by employees on a 1:1 basis. Employees may redeem their shares at anytime; however, if this is before the third anniversary of the purchase, the parent company's matching shares will be forfeited. The SIP scheme is administered by the Yorkshire Building Society. Following the announcement of Motorola's acquisition of IndigoVision, no further SIP contributions were taken following the April 2020 payroll.

## Notes to the financial statements

### 21. Share based payments (continued)

#### The Employee Benefit Trust

On 3 June 2008, in connection with establishing the Long Term Incentive Plan, the parent company established the IndigoVision Group plc Employee Benefit Trust for the purpose of encouraging and facilitating the acquisition and holding of shares in the parent company for the benefit of employees of the Group. As at 31 December 2018 and 2019, 132,000 shares in the parent company had been acquired by the Employee Benefit Trust. The shares were all transferred out of the Employee Benefit Trust on 15 June 2020 to satisfy the share options being paid out following the acquisition by Motorola.

#### The Long Term Incentive Plan (LTIP) 2018

On 24 October 2018, the parent company established the IndigoVision Group plc 2018 Long Term Incentive Plan. Under the New LTIP, selected individuals were given the opportunity to share in a proportion of a "pool" of Ordinary Shares that is equal to 20% of the parent company's entire issued share capital.

The amount of this pool that is actually distributed amongst participants is entirely dependent on the level of earnings per share ("EPS") that the parent company delivers in its 2021 financial year. In particular:

- the whole of the pool will be available for distribution to participants if the 2021 EPS figure is equal to or greater than \$1.00;
- for EPS of \$0.20 or less, no part of the pool will be distributed (and all awards will immediately lapse); and
- for performance between these two levels, the amount of the pool available to participants will be calculated by reference to a sliding scale (from 0% to 100%) that is more heavily weighted towards superior performance levels.

The shares to which a participant in the 2018 LTIP becomes entitled following the assessment of the above performance condition will be subject to further holding periods over the financial years ending 31 December 2022, 2023 and 2024. If the EPS in any of these subsequent years falls below the level delivered in 2021, a portion of the participant's award will immediately lapse and cease to exist.

On 21 November 2018, the following awards were made under the 2018 LTIP:

	Number of units
Pedro Simoes	375
Chris Lea	375

On 13 August 2019, the Remuneration Committee formalised an incentive plan for the executives that becomes effective only in the event the parent company is acquired for more than £2.75 per share prior to 31 December 2020. This cash incentive plan entitles the executives to share in up to a maximum 10% of the increase in shareholder value created above a share price of £1.43. Any cash award to the participants under this plan will be reduced by any share based payment awards that vest under either the 2008 or 2018 Long Term Incentive Plans. Following the acquisition by Motorola Solutions expense has been recognised during the year in respect of this cash-settled share based payment and is included within the costs associated with acquisition by Motorola on the Income Statement.

## Notes to the financial statements

### 21. Share based payments (continued)

#### Share option plans

The terms and conditions of grants are as follows, whereby all options are settled by physical delivery of shares:

Grant date	Number of instruments originally granted	Vesting conditions	Contractual life of options
<b>The 2008 Approved Share Option Plan</b>			
29 April 2010	7,611	3 years from date of grant	10 years
20 April 2012	18,000	3 years from date of grant	10 years
9 January 2013	13,437	3 years from date of grant	10 years
19 December 2013	12,234	3 years from date of grant	10 years
26 March 2015	13,778	3 years from date of grant	10 years
<b>The 2008 Share Option Plan</b>			
29 April 2010	6,389	3 years from date of grant	10 years
19 December 2013	15,266	3 years from date of grant	10 years
26 March 2015	12,222	3 years from date of grant	10 years
<b>The 2018 EMI Employee Share Option Plan</b>			
17 April 2019	34,000	3 years from date of grant	10 years
<b>The Stand-Alone Option Agreements</b>			
19 December 2013	83,000	Individually determined (typically 3 years)	10 years
26 March 2015	130,000	Individually determined (typically 3 years)	10 years
15 March 2017	50,000	Individually determined (typically 3 years)	10 years
<b>The Long Term Incentive Plan</b>			
26 March 2015	28,800	Individually determined (typically 3 years)	10 years
26 March 2015	140,500	Individually determined (typically 3 years)	10 years
15 March 2017	280,000	Individually determined (typically 3 years)	10 years
20 October 2017	100,000	Individually determined (typically 3 years)	10 years

## Notes to the financial statements

### 21. Share based payments (continued)

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

	2020		2019	
	Weighted average exercise price £	Number of options	Weighted average exercise price £	Number of options
<b>The 2008 Approved Share Option Plan</b>				
Outstanding at the beginning of the period	3.75	17,477	3.75	21,477
Granted during the period	-	-	-	-
Forfeited during the period	3.75	(2,000)	3.75	(4,000)
Exercised during the period	3.75	(15,477)	-	-
Outstanding at the end of the period	-	-	3.75	17,477
<b>The 2008 Unapproved Share Option Plan</b>				
Outstanding at the beginning of the period	3.85	5,023	3.85	5,023
Granted during the period	-	-	-	-
Forfeited during the period	-	-	-	-
Exercised during the period	3.85	(5,023)	-	-
Outstanding at the end of the period	-	-	3.85	5,023
<b>The 2008 Stock Option Plan</b>				
Outstanding at the beginning of the period	3.59	2,000	3.59	2,000
Granted during the period	-	-	-	-
Forfeited during the period	-	-	-	-
Exercised during the period	3.59	(2,000)	-	-
Outstanding at the end of the period	-	-	3.59	2,000
<b>The Stand Alone Option Agreements</b>				
Outstanding at the beginning of the period	1.55	31,000	1.55	31,000
Granted during the period	-	-	-	-
Forfeited during the period	1.55	(3,415)	-	-
Exercised during the period	1.55	(27,585)	-	-
Outstanding at the end of the period	-	-	1.55	31,000
<b>The 2008 Long Term Incentive Plan</b>				
Outstanding at the beginning of the period	-	210,500	-	240,500
Granted during the period	-	-	-	-
Forfeited during the period	-	(169,259)	-	(30,000)
Exercised during the period	-	(41,241)	-	-
Outstanding at the end of the period	-	-	-	210,500
<b>The 2018 EMI Employee Share Option Plan</b>				
Outstanding at the beginning of the period	1.43	34,000	-	-
Granted during the period	-	-	1.43	34,000
Forfeited during the period	-	-	-	-
Exercised during the period	1.43	(34,000)	-	-
Outstanding at the end of the period	-	-	1.43	34,000

## Notes to the financial statements

### 21. Share based payments (continued)

The weighted average share price at the date of exercise of share options exercised during the 12 month period was £4.05 (2019: £nil) as all options were exercised following the acquisition of IndigoVision.

There are no options outstanding at the period-end.

The fair value of services received in return for share options is measured by reference to the fair value of share options granted. The estimate of fair value of the services received is measured based on the Black-Scholes model. The model has used an expected life of options of between 3.5 and 4 years, a risk free discount rate of between 1.19% and 5.75% and historical share price volatility at the date of grant range of between 33% and 72.2%.

The total charge recognised for the period arising from share based payments was \$361,000 (2019: \$260,000), all of which arose from equity-settled share based payments.

Recognised in income statement	2020 \$'000	2019 \$'000
Share options granted in 2012	13	-
Share options granted in 2013	101	-
Share options granted in 2014	-	-
Share options granted in 2015	35	-
Share options granted in 2016	-	3
Share options granted in 2017	19	123
Share options granted in 2018	149	127
Share options granted in 2019	41	7
Share options granted in 2020	3	-
<b>Total expense recognised as employee costs (note 5)</b>	<b>361</b>	<b>260</b>

## Notes to the financial statements

### 22. Financial instruments

The Company's principal financial instruments as at 31 December 2020 consist of cash and cash equivalents together with trade receivables and trade payables which arise directly from the Company's operations.

During the periods ended 31 December 2020 and 31 December 2019, the Company did not use derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. The Company does not hold or issue derivative financial instruments for trading purposes.

The Company is exposed to credit risk, interest rate risk, foreign currency risk and liquidity risk during the normal course of business.

#### Credit risk

At the balance sheet date there were no significant concentrations of credit risk. The exposure to credit risk is mitigated by selling to a wide range of customers and, where necessary, obtaining payments in advance or letters of credit. Credit evaluations are performed on all customers requiring credit. The Company establishes a specific allowance for impairment if a loss is estimated in respect of trade and other receivables.

Counterparties for cash and short-term deposits are restricted to financial institutions which have a high credit rating.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. As at the reporting date, the maximum exposure to credit risk was:

	Note	2020 \$'000	2019 \$'000
Trade and other receivables	12	12,628	14,975
Cash and cash equivalents	13	4,790	4,393
		<b>17,418</b>	<b>19,368</b>

## Notes to the financial statements

### 22. Financial instruments (continued)

The maximum exposure to credit risk for trade receivables at the reporting date by geographical region was:

	2020 \$'000	2019 \$'000
Europe, Middle East and Africa	5,396	5,255
North America	2,530	5,067
Latin America	2,051	1,824
Asia Pacific	3,082	2,445
	<b>13,059</b>	<b>14,591</b>

#### Impairment losses

The aged profile of trade receivables at the reporting date was:

	Gross 2020 \$'000	Impairment 2020 \$'000	Gross 2019 \$'000	Impairment 2019 \$'000
Not past due	6,963	-	9,494	-
0-30 days overdue	2,520	-	1,917	-
31-60 days overdue	921	-	475	-
More than 61 days overdue	2,655	(1,058)	2,705	(1,117)
	<b>13,059</b>	<b>(1,058)</b>	<b>14,591</b>	<b>(1,117)</b>

The allowance in respect of trade receivables is used to record impairment losses unless the Company is satisfied that no recovery of the outstanding amount is possible. At that point, the amount considered irrecoverable is written off against the trade receivables directly. Based on past experience, the Company believes no further impairment allowance is necessary in respect of trade receivables which are past due.

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

	2020 \$'000	2019 \$'000
Balance at start of period	(1,117)	(1,206)
Impairment losses recognised	(172)	(69)
Impairment released	281	146
Effect of movements in foreign exchange	(50)	12
Balance at end of period	<b>(1,058)</b>	<b>(1,117)</b>

#### Interest Rate Risk

The Company earns interest from cash and cash equivalents with high credit rated financial institutions. These are subject to interest rate movements.

## Notes to the financial statements

### 22. Financial instruments (continued)

#### Currency Risk

The Company is exposed to foreign currency risk on sales, purchases, staff costs and sales agent costs that are denominated in a currency other than US dollars. The currencies giving rise to this risk are primarily sterling, euros and Canadian dollars.

The Company's revenue is denominated in US dollars (approximately 55% (2019: 60%)), sterling (approximately 19% (2019: 15%)), euro (approximately 17% (2019: 16%)) and Canadian dollars (approximately 9% (2019: 9%)). The majority of the Company's cost of sales is denominated in US dollars. The majority of the Company's other operating expenses are in sterling.

For monetary assets and liabilities held in currencies other than US dollars, the Company ensures that the net exposure is kept to an acceptable level by buying and selling foreign currencies at spot rates where necessary to address short-term balances.

The Company has investments in foreign operations whose net assets are exposed to currency translation risk.

<b>Financial assets and financial liabilities by currency</b>	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Sterling trade and other receivables	<b>2,970</b>	1,916
Euro trade and other receivables	<b>1,309</b>	2,263
Other currency trade and other receivables	<b>782</b>	499
Sterling cash and cash equivalents	<b>808</b>	1,142
Euro cash and cash equivalents	<b>323</b>	323
Other currency cash and cash equivalents	<b>228</b>	508
Sterling trade and other payables	<b>(1,453)</b>	(1,172)
Other currency trade and other payables	<b>(19)</b>	(140)

The following significant exchange rates applied during the year

	Average rate		Year end rate	
	2020	2019	2020	2019
Sterling to US dollar	<b>0.7791</b>	0.7830	<b>0.7345</b>	0.7624
Euro to US dollar	<b>0.8759</b>	0.8932	<b>0.8140</b>	0.8925

#### Liquidity Risk

Following the acquisition by Motorola Solutions Inc., the asset based debt facility was repaid in full on 1 July 2020 to FGI Worldwide LLC. The account held by Royal Bank of Scotland plc to provide security for the Company's credit card facility and duty deferment bond was closed at this time and the funds transferred to the Company's current account.

Cash balances are mainly held in US dollars, sterling, euros and Canadian dollars. Cash reserves in excess of current requirements are placed on a variety of term deposits. Term deposits are placed with banks from the list of the Company's approved institutions. Cash on term deposits is included within cash and cash equivalents on the balance sheet.

## Notes to the financial statements

### 22. Financial instruments (continued)

The following are the contractual undiscounted cash flow maturities of financial liabilities.

As at 31 December 2020	Carrying amount	Contractual cash flow	6 months or less	6 – 12 months	1 – 2 years	2 – 5 years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Non-derivative financial liabilities</b>						
Trade and other payables	5,411	5,411	5,411	-	-	-
	5,411	5,411	5,411	-	-	-

#### Sensitivity analysis

In managing interest rate and currency risks the Company aims to reduce the impact of short-term fluctuations on the Company's earnings. Over the longer-term however, permanent changes in foreign exchange and interest rates would have an impact on earnings. There is currently not considered to be any material risk to the business on the basis of interest rate movements given the financial position of the Company.

It is estimated that a general increase of five percentage points in the value of sterling against the US dollar would have decreased the Company's profit before tax by approximately \$0.2m for the year ended 31 December 2020 (2019: decrease of \$0.4m) and a general increase of five percentage points in the value of the US dollar against the euro would have increased the Company's profit before tax by approximately \$0.2m (2019: increase of \$0.5m).

#### Fair Values

The nominal value of cash and cash equivalents, trade and other receivables, and trade and other payables of \$6,647,000 (2019: \$9,775,000) is deemed to reflect materially the fair value.

### 23. Capital commitments

As at 31 December 2020, the Company had no contracts to purchase property, plant and equipment (2019: \$nil).

### 24. Related parties

#### Identity of related parties

The Company has a related party relationship with its parent company and subsidiaries (see note 10) and with its directors.

#### Transactions with key management personnel

The board has defined key management personnel as the Directors of the Company.

In addition to their salaries, the Company also contributes to a post-employment defined contribution plan on the Director's behalf. The Executive Directors also participate in the Group's share option schemes. Details of the directors' remuneration are contained in note 5.

During the year employer National Insurance contributions of \$264,000 were made in relation to Director's remuneration.

## Notes to the financial statements

### 24. Related parties (continued)

#### Transactions with related parties

During the year the Company charged a management fee to the parent company IndigoVision Group Limited of \$109,400 (2019: \$259,500).

The Company pays its subsidiaries for sales and marketing activities in their territories. During the year the Company was charged for such activities as follows:

- IndigoVision Inc \$3,623,000 (2019: \$4,505,000)
- IndigoVision Group Limited \$209,000 (2019: \$175,000)
- IndigoVision Australia Pty Ltd \$609,000 (2019: \$802,000)
- IndigoVision Pte Limited \$426,000 (2019: \$571,000)
- IndigoVision Video Security Solutions Ltd \$ nil (2019: \$11,000)
- IndigoVision Solucoes De Seguranca Electronica Ltda \$nil (2019: \$24,000)
- IndigoVision Security System (Shanghai) Co. Ltd \$5,000 (2019: \$9,000)

During the year the Company paid no dividend to its parent company IndigoVision Group Limited (2019: \$ nil).

During the year all share options were exercised following the acquisition by Motorola Solutions, Inc.

During the year the Company was charged interest on cash balances loaned from its parent company IndigoVision Group Limited of \$5,000 (2019: \$38,000).

At the year end, IndigoVision Limited owed:

- IndigoVision Group Limited \$nil (2019: \$0.92m)
- IndigoVision Pte Limited \$0.12m (2019: \$0.12m)
- IndigoVision Australia Pty Ltd \$0.10m (2019: \$0.07m)
- IndigoVision Video Security Solutions Ltd \$0.03m (2019: \$0.02m)
- Motorola Solutions Finance EMEA Ltd \$4.06m (2019: nil)
- AgoraSys S.A \$0.47m (2019: \$nil)
- Motorola Solutions UK \$0.10m (2019: \$nil)
- Motorola Solutions Inc \$0.05m (2019: \$nil)
- Edesix Limited \$0.01m (2019: \$0.03m)

At the year end, IndigoVision Limited was owed:

- IndigoVision Group Limited \$0.34m (2019: \$nil)
- IndigoVision Inc \$1.34m (2019: \$1.41m)
- IndigoVision Security System (Shanghai) Co. Ltd \$0.01m (2019: \$nil)
- AgoraSys S.A \$0.3m (2019: \$0.3m)
- Motorola Israel \$0.01m (2019: nil)

All related party receivables are fully provided for.

## Notes to the financial statements

### **25. Ultimate parent company**

The Company's immediate parent company is IndigoVision Group Limited (formerly IndigoVision Group plc), a company incorporated in Scotland.

On 16 June 2020, IndigoVision Group plc was acquired by Motorola Solutions International Holding Limited. Following this acquisition, Motorola Solutions, Inc. is the Company's ultimate parent company.

### **26. Accounting estimates and judgements**

Management have considered the development, selection and disclosure of the Company's critical accounting policies and estimates and the application of these policies and estimates.

#### **Share based payments**

The Company's share-based payment expense is based on the fair value of the share-based awards. The estimation of the fair values for the share-based payments is dependent on the selection by the Board of assumptions applied in the valuation model. The assumptions applied are described in note 20 and include expected volatility, the expected life of the option and the risk free discount rate. While the Board considers that the assumptions are appropriate, changes in these assumptions may materially affect the amount of the expense recognised for share-based payments.

#### **Warranty provision**

The provision for warranties is estimated based on historical warranty data which typically ranges from 1% to 3% per annum and management judgement on estimated future returns given the operational activities during the three to five year warranty period preceding the reporting date and the extent to which warranty costs can be passed back to third party manufacturers. If actual project installations or product failure rates are less favourable than those estimated by management or the costs associated with repair or replacement cannot be passed back to the manufacturer, then warranty costs may exceed the provision made at the reporting date.

#### **Deferred tax asset**

Deferred tax assets and liabilities require management judgement in determining the amounts to be recognised. In particular, judgement is used when assessing the extent to which deferred tax assets should be recognised, with consideration given to the timing and level of future taxable income and the availability or otherwise of research and development tax credits. As future taxable income is likely to deviate to some degree from forecasts, the amount of the deferred tax asset carried needs to be reviewed in the light of such variations.

#### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Some items included in Inventories are written down to their net realisable value based on assumptions about future demand and market conditions. If actual market conditions are less favourable than those projected by management, then inventory may require to be written down by additional amounts. The assessment of whether an inventory write down is required is dependent on the circumstances prevailing at the time of the assessment.

#### **Trade receivables**

Trade receivables require management judgements in determining the amounts recoverable. Trade receivables are stated net of any provision for doubtful debts. The assessment of whether a receivable is doubtful is dependent on the circumstances prevailing at the time of the assessment.

## Notes to the financial statements

### **26. Accounting estimates and judgements (continued)**

#### **Research and development costs**

Expenditure on research activities undertaken with the prospect of gaining new technical knowledge and understanding is recognised as an expense in the income statement as incurred. The decision on whether development expenditure is capitalised rests with management. The decision is based on whether the development expenditure leads to a product which is technically feasible, production and sale are intended, a market exists and sufficient resources are available to complete the project. It is only when management can assess each of the requirements with certainty that a decision is made to capitalise the development expenditure in the financial statements. The assessment of whether a development should be capitalised is dependent on whether the circumstances prevailing at the time of the assessment.

## **Secretary and advisors**

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### **Bankers**

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