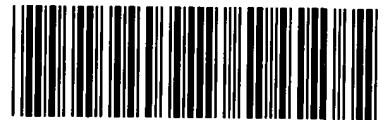


DATAPATH LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 31 MARCH 2021

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DATAPATH LIMITED

COMPANY INFORMATION

Directors	Mr T Jones Mr N G Fasey Mr J J Storey Mr B Krylander Mr D Griffiths (appointed 2 April 2020)
Company secretary	Mr N G Fasey
Registered number	01609392
Registered office	Bemrose House Bemrose Park Wayzgoose Drive Derby DE21 6XQ
Independent auditor	Cooper Parry Group Limited Chartered Accountants & Statutory Auditor Sky View Argosy Road East Midlands Airport Castle Donington Derby DE74 2SA
Bankers	National Westminster Bank plc 58 St Peters Steet Derby DE1 1XL

DATAPATH LIMITED

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DATAPATH LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2021

Introduction

The company is involved in consultancy work in the field of micro-electronics and the manufacture and supply of electronic component units, sub-systems and software to industry.

Business review

The company reacted well to the challenges presented by the global pandemic. With a particular focus on the health of its employees, the business quickly adapted to new ways of working, continuing to deliver high quality products and services to its global customer base.

Rather than slow the pace of investment as a reaction to the pandemic, the board continued with investment expanding the company's global sales footprint and continuing to invest in the next generation of technology, launching it early in 2021.

The temporary shift to remote working was a success, with minimal disruption and an initial increase in productivity, particularly regards research and development. A natural balance between remote and office working will no doubt emerge during the current financial year.

The disruption to customers was to be expected with demand volatility caused by COVID-19 waves across different regions, globally. Taking advantage of its robust financial position, the company sought to work with customers, with a view to building on long term relationships. Following the initial outbreak, most customers have learnt to manage with the restrictions and consequently sales have increased gradually through the year.

Results and performance

Given the considerable disruption caused by the pandemic the board acknowledged the resulting reduction in turnover by 26%. The business decided to keep all the employees fully employed during the disruption, concentrating on the new products and services launched in the year. As a result, the operating profit was 16% after capitalisation of development costs of £1.5m.

Product development

In January 2021, the business launched Aetria, a new software platform for control rooms. This represents a significant step forward in capability in the control room market. For the first time, Aetria combines the control of the videowall and the workstations to provide a single interface to control any source, on any screen surface. This software platform introduces two new hardware families to support the total control room solution.

Arqa, a HD KVM (Keyboard, Video, Mouse) solution, integrates into Aetria providing a key requirement of control room solutions. The launch of Aligo in 2021, a 4k video over IP with KVM (AVoIP with KVM), will provide the final part of the solution.

To complement the new range of control room products the business has invested in growing its worldwide support function and launched a Premium Service and Product Registration offerings to support systems integrators and partners through the warranty period and beyond

It has been a busy year for product launches at a time when trade exhibitions have been cancelled. Datapath has adapted its marketing and communications to get the messages out through well attended webinars and remote demonstrations with several notable successes.

DATAPATH LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

Future developments

The business has first orders for Aetria and Arqa and expect strong revenues from these products from the second half of 2021 onwards. The new product portfolio, including Aligo, is expected to deliver solutions with the ability to drive a step-charge in the revenue per control room, compared to our current offerings and this will be a key driver for growth in the years to come.

In 2021 we have started to see the recovery in retail although the events market is likely to be suppressed until 2022. Medical markets continue to perform well with a very strong orderbook for the next 12 months.

Overall, we expect sales and profits to materially improve in the coming year with the growth in control rooms offsetting the continued slow recovery in the events and retail markets.

Principal risks and uncertainties

The business has shown it is resilient, coming through a challenging year with a profit and with reserves of cash. The largest risk is still fallout from the global pandemic. Customer demand is increasing in 2021 as businesses adapt to the restrictions placed on them. This demand side is also well mitigated by our geographical spread of customers around the world.

Supply chain is a risk with long lead times on many components, including graphics processors. Such supply chain issues are affecting many technology companies. The business has managed this risk by leveraging long term relationships and placing orders for over 12 months in advance to secure the supply of components needed.

There is a risk of business failure in both the customers and suppliers. The business has provided for bad debts to mitigate the customer risk. We partner with tier one distribution for components and the manufacturer direct to mitigate this chance of failure.

Over 93% of the company's revenues comes from exports and it is therefore exposed to exchange rate movements in US\$ and Euro. The company seeks to create a natural hedge in these currencies by purchasing goods and services in these currencies wherever possible to manage this risk.

Environment

The company recognises the importance of its environmental responsibilities and designs and implements policies to reduce any damage that might be caused by the company's activities. Initiatives include safe disposal of computer equipment, recycling, and reduced energy consumption.

Financial key performance indicators

The key performance indicators monitored by the board are turnover, gross profit and overall overhead cost, as detailed in the company's profit and loss account.

The board is satisfied with the performance of the company against these KPI's given the economic circumstances in which the company operates.

This report was approved by the board and signed on its behalf.

DocuSigned by:

51C249063AC942D...
Mr B Krylander
Director

Date: 20 September 2021

DATAPATH LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2021

The directors present their report and the financial statements for the year ended 31 March 2021.

Directors' responsibilities statement

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 the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The profit for the year, after taxation, amounted to £3,544,411 (2020: £7,067,292).

During the year the directors declared a dividend of £Nil (2020: £11,200,000).

Directors

The directors who served during the year are noted on the company information page.

Coronavirus

At the date of signing these financial statements, the directors have considered the effect on the company with the information available to it, and do not believe it will affect the company's ability to continue to trade for the foreseeable future. See note 1.3 for further details.

DATAPATH LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021**

Disclosure of information to auditor

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This report was approved by the board and signed on its behalf.

DocuSigned by:
Bjorn Krylander
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Mr B Krylander
Director

Date: 20 September 2021

DATAPATH LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DATAPATH LIMITED

Opinion

We have audited the financial statements of Datapath Limited (the 'company') for the year ended 31 March 2021, which comprise the profit and loss account, the balance sheet and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- 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 United Kingdom, including the Financial Reporting Council'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.

DATAPATH LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DATAPATH LIMITED (CONTINUED)

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.

Opinion 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 3, 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.

DATAPATH LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DATAPATH LIMITED (CONTINUED)

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Our assessment focussed on key laws and regulations the company has to comply with and areas of the financial statements we assessed as being more susceptible to misstatement. These key laws and regulations included but were not limited to compliance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice and relevant tax legislation.

We are not responsible for preventing irregularities. Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- The engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- We identified the laws and regulations applicable to the company through discussions with directors and other management, and from our commercial knowledge and experience of technology development;
- We assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence where applicable; and
- Identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- Making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud;
- Considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates set out in note 2 were indicative of potential bias, in particular the capitalisation of own work, and;
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- enquiring of management as to actual and potential litigation and claims.

DATAPATH LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DATAPATH LIMITED (CONTINUED)

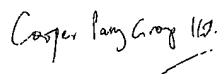
Auditor's responsibilities for the audit of the financial statements (continued)

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: 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.



Katharine Warrington (Senior Statutory Auditor)

for and on behalf of
Cooper Parry Group Limited

Chartered Accountants
Statutory Auditor

Sky View
Argosy Road
East Midlands Airport
Castle Donington
Derby
DE74 2SA

Date: 20 September 2021

DATAPATH LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2021

	Note	2021 £	2020 £
Turnover	3	20,436,556	27,644,455
Cost of sales		(8,481,356)	(12,026,247)
Gross profit		<u>11,955,200</u>	<u>15,618,208</u>
Administrative expenses		(8,621,994)	(7,932,476)
Operating profit	4	<u>3,333,206</u>	<u>7,685,732</u>
Interest receivable and similar income		2,875	56,560
Profit on ordinary activities before taxation		<u>3,336,081</u>	<u>7,742,292</u>
Tax on profit on ordinary activities	7	208,330	(675,000)
Profit for the year		<u><u>3,544,411</u></u>	<u><u>7,067,292</u></u>
Retained earnings at the beginning of the year		32,052,508	36,185,216
Profit for the year		3,544,411	7,067,292
Dividend paid	8	-	(11,200,000)
Retained earnings at the end of the year		<u><u>35,596,919</u></u>	<u><u>32,052,508</u></u>

There were no recognised gains and losses for 2021 or 2020 other than those included in the profit and loss account.

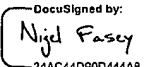
The notes on pages 11 to 23 form part of these financial statements.

DATAPATH LIMITED
REGISTERED NUMBER: 01609392

BALANCE SHEET
AS AT 31 MARCH 2021

	Note	2021 £	2020 £
Fixed assets			
Intangible assets	9	4,874,728	3,385,459
Tangible fixed assets	10	231,369	248,428
		<u>5,106,097</u>	<u>3,633,887</u>
Current assets			
Stocks	11	4,932,658	4,273,586
Debtors	12	21,310,225	22,287,292
Cash at bank and in hand		6,466,635	4,507,521
		<u>32,709,518</u>	<u>31,068,399</u>
Creditors: amounts falling due within one year	13	<u>(1,646,913)</u>	<u>(2,400,798)</u>
Net current assets		<u>31,062,605</u>	<u>28,667,601</u>
Total assets less current liabilities		<u>36,168,702</u>	<u>32,301,488</u>
Provisions for liabilities			
Deferred taxation	14	(571,753)	(248,950)
Net assets		<u><u>35,596,949</u></u>	<u><u>32,052,538</u></u>
Capital and reserves			
Called up share capital	15	20	20
Capital redemption reserve	16	10	10
Profit and loss account	16	35,596,919	32,052,508
Shareholders' funds		<u><u>35,596,949</u></u>	<u><u>32,052,538</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

DocuSigned by:

 24AC44D80D444A8...

Mr N G Fasey
 Director

Date: 20 September 2021

The notes on pages 11 to 23 form part of these financial statements.

DATAPATH LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

1. Accounting policies

Datapath Limited (the 'company') is a limited liability company incorporated and domiciled in the United Kingdom. The address of its registered office is disclosed on the company information page.

The financial statements are prepared in Sterling (£), which is the functional currency of the company. The financial statements are for the year ended 31 March 2021 (2020: year ended 31 March 2020).

1.1 Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with Financial Reporting Standard (FRS) 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the company's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

The following accounting policies have been applied:

1.2 Disclosure exemptions

The company has adopted the following disclosure exemptions:

Under FRS 102 Section 1.12, the company is exempt from the requirements to prepare a statement of cash flows on the grounds that its parent company, Datapath Group Limited, includes the company's cash flows in its own published consolidated financial statements.

The entity is a 'qualifying entity' and has also taken advantage of the exemption from disclosing key management personnel (other than directors emoluments) under FRS 102 Section 1.12.

1.3 Coronavirus and going concern

At the balance sheet date the company had a significant cash balance and solvent net current asset position. At the time of signing these accounts, the directors have considered the effect of the Coronavirus on the going concern position, and consider that this does indicate that the company will continue to trade for a period of at least 12 months from the date of signing these accounts.

The financial forecasts prepared by the directors show that the company will be able to operate within the facilities available to it.

On that basis, the directors have prepared these financial statements on a going concern basis.

1.4 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, Value Added Tax and other sales taxes. Turnover is recognised when goods are dispatched from the warehouse.

DATAPATH LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021****1. Accounting policies (continued)****1.5 Tangible fixed assets**

Tangible fixed assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets over their expected useful lives on the following basis:

Plant and machinery	- 33.3% straight line
Fixtures and fittings	- 15% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'administrative expenses' in the profit and loss account.

At each balance sheet date, the company reviews the carrying amounts of its tangible fixed assets to determine whether there is any indication that any items have suffered an impairment loss. If any such indication exists, the recoverable amount of an asset is estimated in order to determine the extent of the impairment loss, if any.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

1.6 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Patents and development costs are considered to have a finite useful life of 10 years.

1.7 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Raw material cost is based on the cost of purchase on a first in, first out basis. Finished goods are valued on a weighted average cost basis.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the profit and loss account.

DATAPATH LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

1. Accounting policies (continued)

1.8 Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities such as trade and other accounts receivable and payable, loans from banks and other third parties and loans with related parties.

All financial assets and liabilities are initially measured at transaction price and subsequently measured at amortised cost.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the balance sheet date.

1.9 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised once the developed product is available for sale on a straight line basis over their estimated useful economic life of 10 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

1.10 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the rate of exchange at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account in the period in which they arise.

1.11 Dividends

Equity dividends are recognised when they become legally payable.

1.12 Operating leases

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

1.13 Pensions

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

DATAPATH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

1. Accounting policies (continued)

1.14 Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet.

1.15 Current and deferred taxation

The tax charge for the year comprises of current and deferred tax.

Current or deferred tax is recognised in the profit and loss account, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current or deferred tax is also recognised in other comprehensive income or directly in equity respectively.

The current and deferred tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date. The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

DATAPATH LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

2. Judgements in applying accounting policies and key sources of estimation uncertainty

The directors of the company make estimates and assumptions concerning the future. The directors are also required to exercise judgement in the process of applying the company's accounting policies. These are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Depreciation and residual values

The directors have reviewed the asset lives and associated residual values of all fixed asset classes, and have concluded that asset lives and residual values are appropriate.

The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and project disposal values.

Intangible assets

The directors of the company establish a reliable estimate of the useful life of intangible assets. This estimate is based on a variety of factors such as the expected use of the asset, the expected useful life of the cash generating units to which the intangible is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

Significant judgement is involved in the process of identifying and evaluating intangible assets. Intangible assets with a finite life are reviewed for impairment when an impairment trigger is identified. Calculating any subsequent impairment, principally in the estimation of the future cash flows of the cash generating units and the discount rate applied to each cash generating unit involves judgement.

Impairment of non-current assets

The directors of the company assess the impairment of tangible fixed assets subject to depreciation whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors considered important that could trigger an impairment review include the following:

- Significant underperformance relative to historical or projected future operating results;
- Significant changes in the manner of the use of the acquired assets or the strategy for the overall business; and
- Significant negative industry or economic trends.

Carrying value of stocks

The directors review the market value of and demand for the company's stocks on a periodic basis to ensure stock is recorded in the financial statements at the lower of cost and net realisable value. Any provision for impairment is recorded against the carrying value of stocks. The directors use their knowledge of market conditions, historical experiences and estimates of future events to assess future demand for the company's products and achievable selling prices.

DATAPATH LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

2. Judgements in applying accounting policies (continued)

Recoverability of trade debtors

Trade and other debtors are recognised to the extent that they are judged recoverable. The directors reviews are performed to estimate the level of provision required for irrecoverable debt. Provisions are made specifically against invoices where recoverability is uncertain.

The directors make allowance for doubtful debts based on an assessment of the recoverability of debtors. Allowances are applied to debtors where events or changes in circumstances indicate that the carrying amounts may not be recoverable. The directors specifically analyse historical bad debts, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the provision for doubtful debts. Where the expectation is different from the original estimate, such difference will impact the carrying value of debtors and the charge in the profit and loss account.

3. Turnover

The whole of the turnover is attributable to the company's principal activity.

Analysis of turnover by country of destination:

	2021 £	2020 £
United Kingdom	1,411,745	1,907,485
Europe	9,295,930	12,990,405
Rest of the World	9,728,881	12,746,565
	<u>20,436,556</u>	<u>27,644,455</u>

4. Operating profit

The operating profit is stated after charging/(crediting):

	2021 £	2020 £
Amortisation of intangible assets	9,700	9,700
Depreciation of tangible fixed assets	126,832	134,030
Operating lease expense	244,909	229,008
Difference on foreign exchange	846,370	(457,732)
Research and development (excluding any directors' emoluments)	1,642,469	1,556,772
Auditor's remuneration	22,700	21,125
	<u>2,792,980</u>	<u>2,437,702</u>

DATAPATH LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

5. Employees

Staff costs, including directors' remuneration, were as follows:

	2021 £	2020 £
Wages and salaries	4,871,609	4,677,359
Social security costs	480,008	450,463
Pension costs	491,969	448,727
	<u>5,843,586</u>	<u>5,576,549</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2021 No.	2020 No.
Directors	5	6
Sales	19	16
Administration	8	8
Production	91	85
	<u>123</u>	<u>115</u>

6. Directors' remuneration

	2021 £	2020 £
Directors' emoluments	780,381	792,591
Company contributions to defined contribution pension schemes	14,066	3,619
	<u>794,447</u>	<u>796,210</u>

During the year retirement benefits were accruing to 3 directors (2020: 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £200,775 (2020: £200,979).

DATAPATH LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

7. Taxation

	2021 £	2020 £
Corporation tax		
Current tax on profits for the year	-	482,926
Adjustments in respect of prior periods	(531,133)	(31,442)
Total current tax	<u>(531,133)</u>	<u>451,484</u>
Deferred tax		
Origination and reversal of timing differences	322,803	223,516
Total deferred tax	<u>322,803</u>	<u>223,516</u>
Taxation on profit on ordinary activities	<u>(208,330)</u>	<u>675,000</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2020: lower than) the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	2021 £	2020 £
Profit on ordinary activities before tax	3,336,081	7,742,292
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020:19%)	633,855	1,471,035
Effects of:		
Fixed asset differences	336	639
Expenses not deductible for tax purposes	1,769	7,220
Losses carried back	491,147	-
Adjustments to corporation tax charge in respect of prior periods	(531,133)	(31,442)
Enhanced relief for research and development expenditure	(804,304)	(775,444)
Adjustment to the rate of deferred tax	-	2,992
Total tax charge for the year	<u>(208,330)</u>	<u>675,000</u>

Factors that may affect future tax charges

On 3 March 2021, the Chancellor of the Exchequer announced that the corporation tax rate would increase to a maximum of 25% from 1 April 2023.

DATAPATH LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

8. Dividends

	2021 £	2020 £
Ordinary shares	-	11,200,000

9. Intangible assets

	Patents £	Development costs £	Intellectual property £	Total £
Cost				
At 1 April 2020	96,997	2,176,949	1,727,821	4,001,767
Own work capitalised	-	1,498,969	-	1,498,969
At 31 March 2021	<u>96,997</u>	<u>3,675,918</u>	<u>1,727,821</u>	<u>5,500,736</u>
Amortisation				
At 1 April 2020	19,400	596,908	-	616,308
Charge for year	9,700	-	-	9,700
At 31 March 2021	<u>29,100</u>	<u>596,908</u>	<u>-</u>	<u>626,008</u>
Net book value				
At 31 March 2021	<u>67,897</u>	<u>3,079,010</u>	<u>1,727,821</u>	<u>4,874,728</u>
At 31 March 2020	<u>77,597</u>	<u>1,580,041</u>	<u>1,727,821</u>	<u>3,385,459</u>

DATAPATH LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

10. Tangible fixed assets

	Plant and machinery £	Fixtures and fittings £	Total £
Cost			
At 1 April 2020	968,272	262,581	1,230,853
Additions	96,332	13,441	109,773
At 31 March 2021	<u>1,064,604</u>	<u>276,022</u>	<u>1,340,626</u>
Depreciation			
At 1 April 2020	779,374	203,051	982,425
Charge for the year	105,443	21,389	126,832
At 31 March 2021	<u>884,817</u>	<u>224,440</u>	<u>1,109,257</u>
Net book value			
At 31 March 2021	<u>179,787</u>	<u>51,582</u>	<u>231,369</u>
At 31 March 2020	<u>188,898</u>	<u>59,530</u>	<u>248,428</u>

11. Stocks

	2021 £	2020 £
Raw materials	1,923,397	1,719,576
Finished goods	3,009,261	2,554,010
	<u>4,932,658</u>	<u>4,273,586</u>

Stock recognised in cost of sales during the year as an expense was £8,400,734 (2020: £11,909,579).

An impairment gain of £80,645 (2020: impairment charge of £1,742) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

DATAPATH LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

12. Debtors

	2021 £	2020 £
Trade debtors	1,494,450	2,507,205
Amounts owed by group companies	18,901,560	19,325,901
Other debtors	732,399	301,886
Prepayments and accrued income	181,816	152,300
	<u>21,310,225</u>	<u>22,287,292</u>

An impairment loss of £37,911 (2020: impairment gain of £3,135) was recognised in administrative expenses against trade debtors during the year.

13. Creditors: Amounts falling due within one year

	2021 £	2020 £
Trade creditors	738,853	1,049,652
Corporation tax	-	483,499
Taxation and social security	162,158	167,430
Other creditors	29,412	32,235
Accruals and deferred income	716,490	667,982
	<u>1,646,913</u>	<u>2,400,798</u>

DATAPATH LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

14. Deferred taxation

	2021 £
At beginning of year	248,950
Charged to the profit and loss account	(322,803)
At end of year	571,753

The provision for deferred taxation is made up as follows:

	2021 £	2020 £
Accelerated capital allowances	584,428	302,237
Short term timing differences	(12,675)	(53,287)
	<u>571,753</u>	<u>248,950</u>

15. Share capital

	2021 £	2020 £
Allotted, called up and fully paid		
20 Ordinary shares of £1 each	20	20

16. Reserves

Capital redemption reserve

The *capital redemption reserve* represents the company's acquisition of its own shares in a previous financial period.

Profit and loss account

The profit and loss account represents accumulated profits and losses for prior periods less dividends paid.

17. Pension commitments

The company operates a defined contribution pension scheme for its employees. The assets of the scheme are held separately from those of the company in independently administered funds. The pension charge represents contributions payable by the company to the funds and amounted to £491,969 (2020: £448,727).

DATAPATH LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**18. Commitments under operating leases**

At 31 March 2021 the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2021 £	2020 £
Not later than 1 year	188,673	170,000
Later than 1 year and not later than 5 years	198,333	368,333
	<u>387,006</u>	<u>538,333</u>

19. Related party transactions

As the company is a wholly owned subsidiary of a company whose consolidated accounts include the results of the subsidiary and are publicly available, the company has taken advantage of the FRS 102 Section 33.1a exemption from disclosing transactions with group undertakings.

During the year, an Investor Director fee of £26,526 (2020: £25,545) was paid to VCF Partners, a business connected with Foresight Group LLP, which acts as investment manager to Foresight Funds. An Investor Director of the Group Company is a member of Foresight Group LLP.

Two directors of Datapath Limited invoiced the company for their services which totalled £Nil (2020: £188,835). At the year end £Nil (2020: £Nil) was outstanding and is included in trade creditors.

20. Ultimate parent undertaking and controlling party

The company's immediate parent undertaking is Datapath Holdings Limited and the ultimate parent undertaking is Datapath Group Limited.

In the opinion of the directors of Datapath Group Limited there is no ultimate controlling party.

The parent undertaking of the largest and smallest group for which consolidated accounts are prepared is Datapath Group Limited. Consolidated accounts are available from Companies House, Cardiff, CF14 3UZ.