

Registered number: 01609392

DATAPATH LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 31 MARCH 2019



## DATAPATH LIMITED

### COMPANY INFORMATION

<b>Directors</b>	Mr D Crosby Mr T Jones Mr N G Fasey Mr J J Storey Mr R Smith (resigned 21 March 2019) Mr B Krylander Mr S A Hunt
<b>Company secretary</b>	Mr N G Fasey
<b>Registered number</b>	01609392
<b>Registered office</b>	Bemrose House Bemrose Park Wayzgoose Drive Derby DE21 6XQ
<b>Independent auditor</b>	Cooper Parry Group Limited Chartered Accountants & Statutory Auditor Sky View Argosy Road East Midlands Airport Castle Donington Derby DE74 2SA
<b>Bankers</b>	National Westminster Bank plc 24 Uttoxeter Road Mickleover Derby DE1 9DW

# DATAPATH LIMITED

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## DATAPATH LIMITED

### STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2019

#### 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's continuous investment in research and development has produced a proven product range and a reputation as the leader in videowall technology. The release in the year of the iolite12i videowall controller and a software plug-in for Milestone VMS systems for CCTV applications, enables Datapath to pursue wider opportunities in new market segments.

The investment in more sales and support for the US systems integrator market is gaining momentum and we expect further growth in 2019. The medical market is also going well with the design in to a major new product, now producing significant sales. However, generally the markets around the world have been volatile and we are seeing markets struggle to maintain growth. External factors such as 'Trump Tariffs', Brexit and changes to the betting laws in the UK are adding to the uncertain market conditions. The change in betting laws in particular has had a direct downward effect on sales into the UK betting market.

Against this backdrop of uncertainty we have seen negative sales growth of 1.8% for the year. The gross margin percentage has increased due to the success of our application software which is now sold on a greater proportion of systems than ever before. The operating profit decreased in the year to £4.7m. The outlook for next year is slow growth while we manage our way through these difficult trading conditions.

#### Principal risks and uncertainties

The company sells its products into capital projects which can be affected by the general economic climate. Given the uncertainty in some markets this is a continuing risk to the business. The company manages this risk but having a spread of customers across the world to limit the effect of a downturn in a particular market.

Over 87% 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.

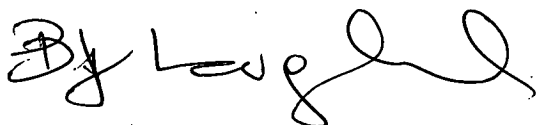
#### Environment

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

Given the nature of the business, the directors are of the opinion that the analysis using KPI's, other than turnover and profit, is not necessary for an understanding of the development, performance and position of the group.

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



Mr B Krylander  
Director

Date: 27/8/2019

## DATAPATH LIMITED

### DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2019

The directors present their report and the financial statements for the year ended 31 March 2019.

#### 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 £4,439,529 (2018: £5,466,439).

During the year the directors declared a dividend of £Nil (2018: £Nil).

#### Directors

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

#### 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.

  
Mr B Krylander  
Director

Date:

27/8/2019

## **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 2019, 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 2019 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**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## DATAPATH LIMITED

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

#### Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

## DATAPATH LIMITED

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

#### Responsibilities of directors

As explained more fully in the directors' responsibilities statement on page 2, 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.

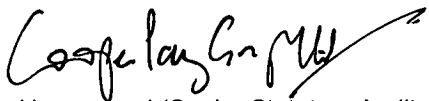
#### Auditor's responsibilities for the audit of the financial statements

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.

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](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.



Andrew Honarmand (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:

16/9/19

**DATAPATH LIMITED**

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 MARCH 2019**

	Note	2019 £	2018 £
<b>Turnover</b>	3	26,409,864	26,892,697
Cost of sales		(11,867,110)	(12,363,883)
<b>Gross profit</b>		<u>14,542,754</u>	<u>14,528,814</u>
Administrative expenses		(8,831,020)	(8,635,997)
Exceptional expenses	4	(1,018,310)	-
Total administrative expenses		<u>(9,849,330)</u>	<u>(8,635,997)</u>
<b>Operating profit</b>	5	<u>4,693,424</u>	<u>5,892,817</u>
Interest receivable and similar income		15,719	2,524
<b>Profit on ordinary activities before taxation</b>		<u>4,709,143</u>	<u>5,895,341</u>
Tax on profit on ordinary activities	9	(269,614)	(428,902)
<b>Profit for the year</b>		<u><u>4,439,529</u></u>	<u><u>5,466,439</u></u>
Retained earnings at the beginning of the year		31,745,687	26,279,248
Profit for the year		4,439,529	5,466,439
<b>Retained earnings at the end of the year</b>		<u><u>36,185,216</u></u>	<u><u>31,745,687</u></u>

There were no recognised gains and losses for 2019 or 2018 other than those included in the profit and loss account.

The notes on pages 8 to 20 form part of these financial statements.

**DATAPATH LIMITED**  
**REGISTERED NUMBER: 01609392**

**BALANCE SHEET**  
**AS AT 31 MARCH 2019**

	Note	2019 £	2018 £
<b>Fixed assets</b>			
Intangible assets	10	1,815,118	2,229,222
Tangible fixed assets	11	176,922	239,597
		1,992,040	2,468,819
<b>Current assets</b>			
Stocks	12	4,770,596	4,247,144
Debtors	13	21,647,584	21,526,331
Cash at bank and in hand		9,825,189	5,524,826
		36,243,369	31,298,301
<b>Creditors: amounts falling due within one year</b>	14	(2,024,729)	(1,815,122)
<b>Net current assets</b>		34,218,640	29,483,179
<b>Total assets less current liabilities</b>		36,210,680	31,951,998
<b>Creditors: amounts falling due after more than one year</b>	15	-	(170,771)
<b>Provisions for liabilities</b>			
Deferred taxation	16	(25,434)	(35,510)
<b>Net assets</b>		36,185,246	31,745,717
<b>Capital and reserves</b>			
Called up share capital	17	20	20
Other reserves	18	10	10
Profit and loss account	18	36,185,216	31,745,687
<b>Shareholders' funds</b>		36,185,246	31,745,717

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

Mr N G Fasey  
 Director

Date:

*N. Fasey*  
 27/8/19

The notes on pages 8 to 20 form part of these financial statements.

## DATAPATH LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

#### 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 2019 (2018: year ended 31 March 2018).

##### 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 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 2019

#### 1. Accounting policies (continued)

##### 1.4 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.

##### 1.5 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.

##### 1.6 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

## DATAPATH LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

#### 1. Accounting policies (continued)

##### 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.

##### 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 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 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.

## DATAPATH LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

#### 1. Accounting policies (continued)

##### 1.12 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.

##### 1.13 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 the profit and loss account 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.

##### 1.14 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.

##### 1.15 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the company but are presented separately due to their size or incidence.

## DATAPATH LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

#### 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 arising on business combinations. This estimate is based on a variety of factors such as the expected use of the acquired business, 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 2019**

#### **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.

##### **Leases**

The directors of the company determines whether leases entered into are an operating lease or a finance lease. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the company on a lease by lease basis based on an evaluation of the terms and conditions of the arrangements, and accordingly whether the lease requires an asset and a liability to be recognised in the balance sheet.

##### **Provisions**

A provision is recognised when the company has a present legal or constructive obligation as a result of a past event for which it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flow at a rate that reflects the time value of money and the risks specific to the liability.

Whether a present obligation is probable or not requires judgment. The nature and type of risks for these provisions differ and management's judgment is applied regarding the nature and extent of obligations in deciding if an outflow of resources is probable or not.

##### **Taxation**

There are many transactions and calculations for which the ultimate tax determination is uncertain. The company recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due.

**DATAPATH LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019**

**3. Turnover**

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

Analysis of turnover by country of destination:

	2019 £	2018 £
United Kingdom	2,298,920	3,093,900
Europe	12,183,457	11,480,472
Rest of the World	11,927,487	12,318,325
	<u>26,409,864</u>	<u>26,892,697</u>

**4. Exceptional items**

	2019 £	2018 £
Professional fees	421,402	-
Impairment of intangible assets	596,908	-
	<u>1,018,310</u>	<u>-</u>

During the year the company incurred exceptional professional fees in relation to the future development of the business.

Development costs in relation to a new product have been fully impaired during the year as the product has been discontinued.

**5. Operating profit**

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

	2019 £	2018 £
Amortisation of intangible assets	9,700	-
Depreciation of tangible fixed assets	126,826	145,560
Operating lease expense	225,031	196,143
Difference on foreign exchange	(284,945)	370,076
Research and development (excluding any directors' emoluments)	2,629,325	2,837,454
	<u>2,629,325</u>	<u>2,837,454</u>

**6. Auditor's remuneration**

	2019 £	2018 £
Auditor's remuneration	19,350	19,000
	<u>19,350</u>	<u>19,000</u>

**DATAPATH LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019**

**7. Employees**

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

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Wages and salaries	5,282,384	4,856,393
Social security costs	533,222	483,159
Pension costs	407,215	345,080
	<u>6,222,821</u>	<u>5,684,632</u>

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

	<b>2019</b>	<b>2018</b>
	<b>No.</b>	<b>No.</b>
Directors	7	7
Sales	16	14
Administration	7	7
Production	76	73
	<u>106</u>	<u>101</u>

**8. Directors' remuneration**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Directors' emoluments	960,299	986,365
Company contributions to defined contribution pension schemes	6,979	10,224
	<u>967,278</u>	<u>996,589</u>

During the year retirement benefits were accruing to 2 directors (2018: 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £225,957 (2018: £228,968).

**DATAPATH LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019**

**9. Taxation**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
<b>Corporation tax</b>		
Current tax on profits for the year	279,688	426,791
Adjustments in respect of prior periods	2	7,272
<b>Total current tax</b>	<b>279,690</b>	<b>434,063</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(10,293)	(5,161)
Adjustments in respect of prior periods	217	-
<b>Total deferred tax</b>	<b>(10,076)</b>	<b>(5,161)</b>
<b>Taxation on profit on ordinary activities</b>	<b>269,614</b>	<b>428,902</b>

**Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2018: lower than) the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Profit on ordinary activities before tax	4,709,143	5,895,341
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	894,737	1,120,115
<b>Effects of:</b>		
Fixed asset differences	575	(90)
Expenses not deductible for tax purposes	82,773	1,849
Adjustments to corporation tax charge in respect of prior periods	2	7,272
Adjustments to deferred tax charge in respect of prior periods	217	-
Enhanced relief for research and development expenditure	(709,892)	(700,851)
Adjustment to closing rate of deferred tax	(3,001)	(4,178)
Adjustment to opening rate of deferred tax	4,203	4,785
<b>Total tax charge for the year</b>	<b>269,614</b>	<b>428,902</b>

**Factors that may affect future tax charges**

There were no factors that may affect future tax charges.

**DATAPATH LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019**

**10. Intangible assets**

	Patents £	Development costs £	Intellectual property £	Total £
<b>Cost</b>				
At 1 April 2018	96,997	404,404	1,727,821	2,229,222
Additions	-	192,504	-	192,504
At 31 March 2019	<u>96,997</u>	<u>596,908</u>	<u>1,727,821</u>	<u>2,421,726</u>
<b>Amortisation and impairment</b>				
Charge for the year	9,700	-	-	9,700
Impairment charge	-	596,908	-	596,908
At 31 March 2019	<u>9,700</u>	<u>596,908</u>	<u>-</u>	<u>606,608</u>
<b>Net book value</b>				
At 31 March 2019	<u>87,297</u>	<u>-</u>	<u>1,727,821</u>	<u>1,815,118</u>
At 31 March 2018	<u>96,997</u>	<u>404,404</u>	<u>1,727,821</u>	<u>2,229,222</u>

**11. Tangible fixed assets**

	Plant and machinery £	Fixtures and fittings £	Total £
<b>Cost</b>			
At 1 April 2018	779,590	223,994	1,003,584
Additions	58,516	5,635	64,151
At 31 March 2019	<u>838,106</u>	<u>229,629</u>	<u>1,067,735</u>
<b>Depreciation</b>			
At 1 April 2018	626,610	137,377	763,987
Charge for the year	94,594	32,232	126,826
At 31 March 2019	<u>721,204</u>	<u>169,609</u>	<u>890,813</u>
<b>Net book value</b>			
At 31 March 2019	<u>116,902</u>	<u>60,020</u>	<u>176,922</u>
At 31 March 2018	<u>152,980</u>	<u>86,617</u>	<u>239,597</u>

**DATAPATH LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019**

**12. Stocks**

	2019 £	2018 £
Raw materials	1,785,906	1,928,576
Finished goods and goods for resale	2,984,690	2,318,568
	4,770,596	4,247,144

Stock recognised in cost of sales during the year as an expense was £11,573,762 (2018: £11,988,126).

An impairment loss of £104,036 (2018: £33,467) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

**13. Debtors**

	2019 £	2018 £
Trade debtors	2,422,127	2,693,059
Amounts owed by group companies	18,746,894	18,162,246
Other debtors	303,889	275,545
Prepayments and accrued income	174,674	395,481
	21,647,584	21,526,331

An impairment loss of £76,495 (2018: impairment gain of £1,415) was recognised in administrative expenses against trade debtors during the year.

**14. Creditors: Amounts falling due within one year**

	2019 £	2018 £
Trade creditors	974,708	484,661
Corporation tax	39,688	106,546
Taxation and social security	158,172	130,638
Net obligations under finance lease and hire purchase contracts	-	671
Other creditors	184,833	358,177
Accruals and deferred income	667,328	734,429
	2,024,729	1,815,122

Net obligations under finance lease and hire purchase contracts are secured on the assets to which they relate.

**DATAPATH LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019**

**15. Creditors: Amounts falling due after more than one year**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Other creditors	-	170,771
	<u>          </u>	<u>          </u>

**16. Deferred taxation**

	<b>2019</b>
	<b>£</b>
At beginning of year	35,510
Credited to the profit and loss account	(10,076)
<b>At end of year</b>	<u>          </u> <u>          </u> 25,434

The provision for deferred taxation is made up as follows:

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Accelerated capital allowances	27,649	37,520
Short term timing differences	(2,215)	(2,010)
	<u>          </u>	<u>          </u>
	<u>          </u> <u>          </u> 25,434	<u>          </u> <u>          </u> 35,510

**17. Share capital**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
<b>Allotted, called up and fully paid</b>		
20 Ordinary shares of £1 each	20	20
	<u>          </u>	<u>          </u>

**18. Reserves**

**Other reserves**

The capital redemption reserve relates to the reserve created on 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.

## DATAPATH LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

#### 19. 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 £407,215 (2018: £345,080).

#### 20. Commitments under operating leases

At 31 March 2019 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £	2018 £
Not later than 1 year	170,000	170,000
Later than 1 year and not later than 5 years	538,333	680,000
Later than 5 years	-	28,333
	<u>708,333</u>	<u>878,333</u>

#### 21. 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 £25,544 (2018: £29,415) 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 £270,957 (2018: £273,968). At the year end £Nil (2018: £23,584) was outstanding and is included in trade creditors.

#### 22. 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.