

VERACITY UK LTD

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

Company Registration No. SC291812 (Scotland)

VERACITY UK LTD

COMPANY INFORMATION

Directors	Mr Alastair McLeod BSc (Hons) Mr David Corson B.Acc.,CA Mr Garfield Collins BSc (Hons) Mr Michael J Gallagher Mr Robert Hamilton
Secretary	Mr Garfield Collins BSc (Hons)
Company number	SC291812
Registered office	Prestwick International Aerospace Park 4 Dow Road Monkton Prestwick Ayrshire KA9 2TU
Auditor	William Duncan + Co Ltd 30 Miller Road Ayr Ayrshire KA7 2AY
Business address	Prestwick International Aerospace Park 4 Dow Road Monkton Prestwick Ayrshire KA9 2TU
Bankers	HSBC 2 Buchanan Street Glasgow G1 3LB
Solicitors	Wright, Johnston & Mackenzie LLP 302 St Vincent Street Glasgow G2 5RZ

VERACITY UK LTD

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VERACITY UK LTD

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present the strategic report for the year ended 31 December 2020.

Fair review of the business

The principal activity of the Group continued to be Research and Development of high technology software and hardware products for digital video surveillance markets.

The Group has continued to benefit from the increasingly strong relationships formed with major industry partners and high-profile customers across the globe. However, like many businesses across the globe, in 2020 the Veracity Group experienced its first fall in year on year growth since its formation in 2005 due to the COVID-19 pandemic impact on its core sales territories and market sectors. Although hardware product sales were reasonably robust particularly OEM activity, the Groups software businesses suffered as customers in Critical National Infrastructure sites restricted 3rd party access to their control rooms and planned upgrade and new projects were delayed. In addition, during the year the Group ceased its activities in a non-core, low margin computer and uninterruptible power supply hardware product wholesale business. Certain markets and territories have remained soft at the start of 2021 though there are also some welcome signs of recovery.

Despite the business uncertainty caused by the pandemic in 2020, the Group continued to invest significant resources in the research, design and development of innovative networked products in the specific fields of IP video transmission, video data storage and Integrated Command and Control system platforms whilst controlling other overhead expenditure. The Group benefited from the UK government's Job Retention Scheme and the USA's "Paycheck Protection Programme". As a result, the Group still delivered a reasonable Operating Profit for the year whilst suffering currency losses as Sterling generally gained ground against the other major currencies at the year end. The Group continues to innovate, maintaining a broad product development roadmap coupled with a strong strategic vision of the relevant security industry markets.

Profits and cash reserves continue to be retained within the business and Group. Despite the global pandemic and providing funds to increase the shareholding in a subsidiary, Group cash reserves net of borrowing, were £3.7m (2019 £2.1m) at the year end. Funds were also provided to substantially improve our stock holdings to mitigate some of the business risk generated by BREXIT and the impact that the global pandemic is having on the cost, lead times and general availability of certain electronic components.

The Group is determined to continue its overseas expansion and form relationships in new territories and markets whilst still reviewing further investment opportunities. Group turnover is expected to substantially recover throughout 2021 and a series of new and replacement products whose launch was held back in 2020 due to the pandemic, are expected to be released towards the end of 2021. This will ensure that the Group's Transmission and Storage Systems are maintained and indeed enhanced thereby securing the Veracity Group's innovative status with its increasing global customer and partner base.

Principal risks and uncertainties

Given the current logistics and trading difficulties between the UK and Europe and the potential for further tariffs in the trade dispute between the USA and China in particular, the Veracity Group Board are continuing to take proactive steps to try and mitigate these risks to the business ensuring that our business model remains robust and flexible to the changing regulatory and economic pressures. We constantly review our critical KPI's so that the Board can take decisive and timely action on each issue as it arises.

The Group continues to earn pre-tax profits at the start of 2021 and with strong cash reserves, new products planned to launch later this year, an improving global picture as vaccines continue to roll out and business confidence returns, the Board remains confident of improving the Group's EBITDA profits and cash reserves in 2021 and in the long term growth of the Group as it considers further major product expansions or bolt on acquisitions to enhance the products and services provided to its global customer base.

On behalf of the board

Mr Alastair McLeod BSc (Hons)

Director

5 May 2021

VERACITY UK LTD

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

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

Principal activities

The principal activity of the group continued to be Research and Development of high technology hardware and software products for digital video surveillance markets.

Results and dividends

The results for the year are set out on page 7.

No ordinary dividends were paid. The directors do not recommend payment of a further dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr Alastair McLeod BSc (Hons)

Mr David Corson B.Acc., CA

Mr Garfield Collins BSc (Hons)

Mr Sam Brown BSc (Hons)

(Resigned 19 February 2020)

Mr Michael J Gallagher

Mr Robert Hamilton

Future developments

The Group continues to innovate, maintaining a broad product development roadmap coupled with a strong strategic vision of the relevant security industry markets.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of that information.

On behalf of the board

Mr Alastair McLeod BSc (Hons)

Director

5 May 2021

VERACITY UK LTD

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors are responsible for preparing the Annual 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

VERACITY UK LTD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VERACITY UK LTD

Opinion

We have audited the financial statements of Veracity UK Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2020 which comprise the group statement of comprehensive income, the group balance sheet, the company balance sheet, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows, the company 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 United Kingdom Accounting Standards, including FRS 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 group's and the parent company's affairs as at 31 December 2020 and of the group's 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 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 group's and parent 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.

VERACITY UK LTD

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF VERACITY UK LTD

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our 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 group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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 parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless 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.

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.

VERACITY UK LTD

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF VERACITY UK LTD

- Enquiry of management, those charged with governance and the entity's solicitors around actual and potential litigation and claims;
- Enquiry of entity staff in tax and compliance functions to identify any instances of non-compliance with laws and regulations;
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias;
- Reviewing minutes of meetings of those charged with governance; and
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Reviewing and assessing the implications of COVID-19 including the working environment and remote working and transactions relating to government support schemes;
- Communicating with component auditors and accountants to request identification of any instances of non-compliance with laws and regulations as well as requesting audit work on management override of controls.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://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.

Mr John Wallace (Senior Statutory Auditor)
For and on behalf of William Duncan + Co Ltd

6 May 2021

Chartered Accountants
Statutory Auditor

30 Miller Road
Ayr
Ayrshire
KA7 2AY

VERACITY UK LTD

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Continuing operations	Discontinued operations	31 December 2020	Continuing operations	Discontinued operations	31 December 2019
		£	£	£	£	£	£
Turnover	3	14,626,375	1,400,157	16,026,532	18,244,228	-	18,244,228
Cost of sales		(5,927,841)	(1,295,760)	(7,223,601)	(7,633,549)	-	(7,633,549)
Gross profit		8,698,534	104,397	8,802,931	10,610,679	-	10,610,679
Administrative expenses		(8,320,304)	(102,867)	(8,423,171)	(8,968,646)	-	(8,968,646)
Other operating income		506,619	-	506,619	11,719	-	11,719
Operating profit	4	884,849	1,530	886,379	1,653,752	-	1,653,752
Interest receivable and similar income	8	7,254	-	7,254	21,331	-	21,331
Interest payable and similar expenses	9	(9,219)	-	(9,219)	(1,835)	-	(1,835)
Adjustments to the fair value of financial assets	10	-	-	-	370,422	-	370,422
Profit/(loss) on foreign exchange		(156,395)	-	(156,395)	115,807	-	115,807
Profit before taxation		726,489	1,530	728,019	2,159,477	-	2,159,477
Tax on profit	11	166,610	-	166,610	21,958	-	21,958
Profit for the financial year		893,099	1,530	894,629	2,181,435	-	2,181,435
Other comprehensive income							
Currency translation differences				(52,148)			(84,433)
Total comprehensive income for the year				842,481			2,097,002

Profit for the financial year is all attributable to the owners of the parent company.

Total comprehensive income for the year is all attributable to the owners of the parent company.

VERACITY UK LTD

GROUP BALANCE SHEET

AS AT 31 DECEMBER 2020

	Notes	2020		2019	
		£	£	£	£
Fixed assets					
Goodwill	13		1,730,755		1,957,468
Other intangible assets	13		7,949		14,264
Total intangible assets			1,738,704		1,971,732
Tangible assets	14		967,689		1,024,356
Investments	15		929,310		966,913
			3,635,703		3,963,001
Current assets					
Stocks	19	1,973,798		1,563,849	
Debtors	20	3,835,972		4,775,680	
Cash at bank and in hand		4,142,863		2,480,042	
		9,952,633		8,819,571	
Creditors: amounts falling due within one year	21	(2,092,550)		(2,343,797)	
Net current assets			7,860,083		6,475,774
Total assets less current liabilities			11,495,786		10,438,775
Creditors: amounts falling due after more than one year	22		(422,645)		(280,805)
Provisions for liabilities					
Deferred tax liability	24	(2,084)		3,682	
			2,084		(3,682)
Net assets			11,075,225		10,154,288
Capital and reserves					
Called up share capital	27		17,861		17,806
Share premium account			1,724,361		1,720,252
Revaluation reserve			-		11,003
Capital redemption reserve			486		486
Fair value reserve	28		447,006		447,006
Profit and loss reserves			8,817,866		7,957,735
Equity attributable to owners of the parent company			11,007,580		10,154,288
Non-controlling interests			67,645		-

VERACITY UK LTD

GROUP BALANCE SHEET (CONTINUED)

AS AT 31 DECEMBER 2020

The financial statements were approved by the board of directors and authorised for issue on 5 May 2021 and are signed on its behalf by:

Mr Alastair McLeod BSc (Hons)
Director

Mr David Corson B.Acc., CA
Director

VERACITY UK LTD

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2020

	Notes	2020		2019	
		£	£	£	£
Fixed assets					
Goodwill	13		-		150,000
Other intangible assets	13		7,949		14,264
			<u>7,949</u>		<u>164,264</u>
Total intangible assets			7,949		164,264
Tangible assets	14		716,782		757,871
Investments	15		4,575,989		4,383,592
			<u>5,300,720</u>		<u>5,305,727</u>
Current assets					
Stocks	19	1,414,403		1,169,708	
Debtors	20	3,588,496		3,641,425	
Cash at bank and in hand		2,778,256		1,653,272	
		<u>7,781,155</u>		<u>6,464,405</u>	
Creditors: amounts falling due within one year	21	<u>(1,240,412)</u>		<u>(1,109,061)</u>	
Net current assets			<u>6,540,743</u>		<u>5,355,344</u>
Total assets less current liabilities			<u>11,841,463</u>		<u>10,661,071</u>
Creditors: amounts falling due after more than one year	22		<u>(244,003)</u>		<u>(280,805)</u>
Net assets			<u><u>11,597,460</u></u>		<u><u>10,380,266</u></u>
Capital and reserves					
Called up share capital	27		17,861		17,806
Share premium account			1,724,361		1,720,252
Revaluation reserve			-		11,003
Capital redemption reserve			486		486
Fair value reserve	28		447,006		447,006
Profit and loss reserves			9,407,746		8,183,713
			<u>11,597,460</u>		<u>10,380,266</u>

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £1,219,749 (2019 - £1,806,873 profit).

VERACITY UK LTD

COMPANY BALANCE SHEET (CONTINUED)

AS AT 31 DECEMBER 2020

The financial statements were approved by the board of directors and authorised for issue on 5 May 2021 and are signed on its behalf by:

Mr Alastair McLeod BSc (Hons)
Director

Mr David Corson B.Acc., CA
Director

Company Registration No. SC291812

VERACITY UK LTD

GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital	Share premium account	Revaluation reserve	Capital redemption loss reserve	Profit and reserves	Non-controlling interest	Controlling interest	Total
Notes	£	£	£	£	£	£	£	£
Balance at 1 January 2019	17,084	1,057,246	11,003	408	6,638,210	7,723,951	-	7,723,951
Year ended 31 December 2019:								
Profit for the year	-	-	-	-	2,181,435	2,181,435	-	2,181,435
Other comprehensive income:								
Currency translation differences	-	-	-	-	(84,433)	(84,433)	-	(84,433)
Total comprehensive income for the year					2,097,002	2,097,002	-	2,097,002
Issue of share capital	27	800	663,006	-	-	663,806	-	663,806
Own shares acquired		-	-	-	(191,275)	(191,275)	-	(191,275)
Credit to equity for equity settled share-based payments	26	-	-	-	(139,196)	(139,196)	-	(139,196)
Redemption of shares	27	(78)	-	78	-	-	-	-
Balance at 31 December 2019	17,806	1,720,252	11,003	486	8,404,741	10,154,288	-	10,154,288

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GROUP STATEMENT OF CHANGES IN EQUITY (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital	Share premium account	Revaluation reserve	Capital redemption reserve	Profit and loss reserves	Total non-controlling interest	Total
Notes	£	£	£	£	£	£	£
Year ended 31 December 2020:							
Profit for the year	-	-	-	-	894,629	894,629	894,629
Other comprehensive income:							
Currency translation differences	-	-	-	-	(52,148)	(52,148)	(52,148)
Total comprehensive income for the year	-	-	-	-	842,481	842,481	842,481
Issue of share capital	27	55	4,109	-	-	4,164	4,164
Credit to equity for equity settled share-based payments	26	-	-	(11,003)	(6,720)	(6,720)	(6,720)
Transfers	-	-	-	-	11,003	-	-
Other movements	-	-	-	-	13,367	13,367	67,645
Balance at 31 December 2020	17,861	1,724,361	-	486	9,264,872	11,007,580	67,645
							11,075,225

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COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital	Share premium account	Revaluation reserve	Capital redemption reserve	Fair value reserve/loss	Profit and reserves	Total
Notes	£	£	£	£	£	£	£
Balance at 1 January 2019	17,084	1,057,246	11,003	408	76,584	7,077,733	8,240,058
Year ended 31 December 2019:							
Profit and total comprehensive income for the year	-	-	-	-	-	1,806,873	1,806,873
Issue of share capital	27	800	663,006	-	-	-	663,806
Own shares acquired	-	-	-	-	-	(191,275)	(191,275)
Credit to equity for equity settled share-based payments	26	-	-	-	-	(139,196)	(139,196)
Redemption of shares	27	(78)	-	78	-	-	-
Transfers	-	-	-	-	370,422	(370,422)	-
Balance at 31 December 2019	17,806	1,720,252	11,003	486	447,006	8,183,713	10,380,266
Year ended 31 December 2020:							
Profit and total comprehensive income for the year	27	-	-	-	-	1,219,750	1,219,750
Issue of share capital	27	55	4,109	-	-	-	4,164
Credit to equity for equity settled share-based payments	26	-	-	-	-	(6,720)	(6,720)
Transfers	-	-	(11,003)	-	-	11,003	-
Balance at 31 December 2020	17,861	1,724,361	-	486	447,006	9,407,746	11,597,460

VERACITY UK LTD

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

		2020		2019	
	Notes	£	£	£	£
Cash flows from operating activities					
Cash generated from operations	33	1,626,490		445,455	
Interest paid		(9,219)		(1,835)	
Income taxes paid		(86,627)		(22,457)	
Net cash inflow from operating activities		1,530,644		421,163	
Investing activities					
Purchase of business		-	(1,130,430)		
Purchase of intangible assets		(141,885)	(150,000)		
Transfer of intangible assets		150,000	-		
Purchase of tangible fixed assets		(147,813)	(129,203)		
Proceeds on disposal of tangible fixed assets		2	-		
Movement in associates		37,603	(37,603)		
Other investments and loans made		-	100		
Purchase of other investment		-	(387,508)		
Interest received		7,254	21,331		
Net cash used in investing activities			(94,839)		(1,813,313)
Financing activities					
Proceeds from issue of shares		4,164	3,806		
Purchase of shares		-	(191,275)		
Bank loan movement		141,840	348,895		
Non-controlling interests		81,012	-		
Net cash generated from financing activities			227,016		161,426
Net increase/(decrease) in cash and cash equivalents		1,662,821		(1,230,724)	
Cash and cash equivalents at beginning of year		2,480,042		3,710,766	
Cash and cash equivalents at end of year		4,142,863		2,480,042	

VERACITY UK LTD

COMPANY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

		2020		2019	
	Notes	£	£	£	£
Cash flows from operating activities					
Cash generated from operations	34	1,264,206		1,296,530	
Interest paid		(8,268)		(1,835)	
		<u>1,255,938</u>		<u>1,294,695</u>	
Investing activities					
Purchase of intangible assets		-	(150,000)		
Purchase of tangible fixed assets		(76,062)	(84,752)		
Purchase of subsidiary		(42,397)	(2,427,143)		
Purchase of associate		-	(37,603)		
Purchase of other investment		-	(387,508)		
Interest received		20,143	24,340		
		<u>20,143</u>	<u>(4,342,963)</u>		
Net cash used in investing activities			(98,316)		(3,062,666)
Financing activities					
Proceeds from issue of shares		4,164	663,806		
Purchase of shares		-	(191,275)		
Bank loan movement		(36,802)	348,895		
		<u>(32,638)</u>	<u>821,426</u>		
Net cash (used in)/generated from financing activities			(32,638)		821,426
Net increase/(decrease) in cash and cash equivalents			1,124,984		(946,545)
Cash and cash equivalents at beginning of year			1,653,272		2,599,817
			<u>1,653,272</u>		<u>2,599,817</u>
Cash and cash equivalents at end of year			<u>2,778,256</u>		<u>1,653,272</u>

VERACITY UK LTD

NOTES TO THE GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

Company information

Veracity UK Limited ("the company") is a private limited company domiciled and incorporated in Scotland. The registered office is Prestwick International Aerospace Park, 4 Dow Road, Monkton, Prestwick, Ayrshire, KA9 2TU.

The group consists of Veracity UK Limited and all of its subsidiaries.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.2 Business combinations

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

1.3 Basis of consolidation

The consolidated group financial statements consist of the financial statements of the parent company Veracity UK Limited together with all entities controlled by the parent company (its subsidiaries) and the group's share of its interests in joint ventures and associates.

All financial statements are made up to 31 December 2020. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

VERACITY UK LTD

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.4 Going concern

At the time of approving the financial statements, there are still uncertainties in relation to the Coronavirus (Covid-19) pandemic. The directors revised operational activities of the group as an initial reaction to the Covid-19 outbreak, implementing safeguards where necessary, and continue to monitor performance and operations on an ongoing basis. The directors have prepared forecasts up to the period ending 31 December 2025 and continue to monitor performance against such forecasts.

The directors remain confident that the group has adequate resources to continue in operational existence for the foreseeable future, especially given the trading performance to date and the balance sheet position. On this basis, the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.5 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from the sale of hardware and third party software, where no significant vendor obligations exist, is recognised on despatch. Revenue on non-standard software or where significant vendor obligations exists is recognised on customer acceptance.

Revenue from the sale of software is recognised at the time the software licence is granted, in accordance with agreed contract milestones such as installation at customer location. Revenues for support and maintenance services are recognised proportionately over the period that the services are provided. Payments received in advance of services are recorded in the balance sheet as deferred income.

1.6 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

1.7 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 10 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

VERACITY UK LTD

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.8 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software	16%-33% Straight Line
Patents & licences	10% Straight Line

1.9 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold land and buildings	2% Straight Line
Leasehold land and buildings	25% Straight Line
Leasehold improvements	20% Straight Line
Plant and equipment	25%-33% Straight Line
Fixtures and fittings	16%-33% Straight Line and 10% Reducing Balance
Computers	20%-33% Straight Line
Motor vehicles	25% Straight Line and 25% Reducing Balance

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

1.10 Fixed asset investments

In the parent company financial statements, investments in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Investments in non controlling interests are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publically traded and whose fair values cannot be measured reliably are measured at cost less impairment.

VERACITY UK LTD

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.11 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

1.12 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.13 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.14 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

VERACITY UK LTD

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Derecognition of financial liabilities

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

1.15 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

1.16 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

VERACITY UK LTD

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.17 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

The company operates an HMRC approved EMI scheme in which employees are granted options on shares with an exercise price agreed annually with HMRC as being a fair valuation.

1.18 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.19 Share-based payments

The fair value of equity-settled share based payments to employees is determined at the date of grant and is expensed on a straight line basis over the vesting period. In the directors opinion the fair value of the equity-settled share based payments is determined using the EBITDA model, netted against the agreed HMRC exercise price. Equity-settled share based payments will be reversed when either exercised or an employee leaves the company.

When the terms and conditions of equity-settled share-based payments at the time they were granted are subsequently modified, the fair value of the share-based payment under the original terms and conditions and under the modified terms and conditions are both determined at the date of the modification. Any excess of the modified fair value over the original fair value is recognised over the remaining vesting period in addition to the grant date fair value of the original share-based payment. The share-based payment expense is not adjusted if the modified fair value is less than the original fair value.

Cancellations or settlements (including those resulting from employee redundancies) are treated as an acceleration of vesting and the amount that would have been recognised over the remaining vesting period is recognised immediately.

VERACITY UK LTD

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies (Continued)

1.20 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

1.21 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

1.22 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

3 Turnover and other revenue

	2020	2019
	£	£
Turnover analysed by class of business		
Hardware and software sales	16,026,532	18,244,228
	<u> </u>	<u> </u>
	2020	2019
	£	£
Other significant revenue		
Interest income	7,254	21,331
Grants received	441,836	13,475
	<u> </u>	<u> </u>

VERACITY UK LTD

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

3	Turnover and other revenue	(Continued)	
		2020	2019
		£	£
	Turnover analysed by geographical market		
	UK	5,009,345	5,879,691
	USA	5,349,844	6,274,212
	Europe	4,007,202	4,065,951
	Australia & New Zealand	182,357	165,232
	Middle East	1,115,144	1,252,926
	India	362,640	606,216
		<u>16,026,532</u>	<u>18,244,228</u>
4	Operating profit	2020	2019
		£	£
	Operating profit for the year is stated after charging/(crediting):		
	Research and development costs	1,539,219	1,506,012
	Government grants	(441,836)	(13,475)
	Depreciation of owned tangible fixed assets	197,409	195,082
	Loss on disposal of tangible fixed assets	7,069	-
	Amortisation of intangible assets	224,913	146,659
	Share-based payments	(6,720)	(139,196)
	Operating lease charges	211,104	186,180
		<u>211,104</u>	<u>186,180</u>
5	Auditor's remuneration	2020	2019
		£	£
	Fees payable to the company's auditor and associates:		
	For audit services		
	Audit of the financial statements of the group and company	22,500	25,500
	Audit of the financial statements of the company's subsidiaries	20,000	8,900
		<u>42,500</u>	<u>34,400</u>

VERACITY UK LTD

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

6 Employees

The average monthly number of persons (including directors) employed by the group and company during the year was:

	Group 2020 Number	2019 Number	Company 2020 Number	2019 Number
Administration	21	16	8	7
Marketing	2	2	1	1
Operations	14	16	6	8
Research and development	38	31	13	12
Sales	28	29	5	5
Technical	25	26	4	4
Design	4	5	3	3
Total	<u>132</u>	<u>125</u>	<u>40</u>	<u>40</u>

Their aggregate remuneration comprised:

	Group 2020 £	2019 £	Company 2020 £	2019 £
Wages and salaries	4,185,083	3,992,221	1,307,233	1,451,378
Social security costs	491,750	504,590	125,656	136,981
Pension costs	135,170	154,594	68,067	96,124
	<u>4,812,003</u>	<u>4,651,405</u>	<u>1,500,956</u>	<u>1,684,483</u>

In addition to the above wages and salaries costs, there is £1,247,631 (2019 - £867,653) included within research and development costs in administrative costs that have been reallocated from wages and salaries.

7 Directors' remuneration

	2020 £	2019 £
Remuneration for qualifying services	667,623	918,831
Company pension contributions to defined contribution schemes	59,300	80,792
	<u>726,923</u>	<u>999,623</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 5 (2019 - 5).

VERACITY UK LTD

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

7 Directors' remuneration		(Continued)	
Remuneration disclosed above includes the following amounts paid to the highest paid director:			
	2020	2019	
	£	£	
Remuneration for qualifying services	130,966	171,858	
Company pension contributions to defined contribution schemes	12,228	28,189	
	<u> </u>	<u> </u>	
8 Interest receivable and similar income		2020	2019
		£	£
Interest income			
Interest on bank deposits	7,254	21,331	
	<u> </u>	<u> </u>	
Investment income includes the following:			
Interest on financial assets not measured at fair value through profit or loss	7,254	21,331	
	<u> </u>	<u> </u>	
9 Interest payable and similar expenses		2020	2019
	£	£	
Interest on financial liabilities measured at amortised cost:			
Interest on bank overdrafts and loans	9,219	1,835	
	<u> </u>	<u> </u>	
10 Amounts written off investments		2020	2019
	£	£	
Fair value gains/(losses) on financial instruments			
Change in value of financial assets held at fair value through profit or loss	-	370,422	
	<u> </u>	<u> </u>	
11 Taxation		2020	2019
	£	£	
Current tax			
UK corporation tax on profits for the current period	(171,623)	-	
Adjustments in respect of prior periods	(75,848)	-	
Total UK current tax	(247,471)	-	
Foreign current tax on profits for the current period	80,861	9,244	
Total current tax	(166,610)	9,244	
	<u> </u>	<u> </u>	

VERACITY UK LTD

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

11 Taxation	(Continued)	
	2020	2019
	£	£
Deferred tax		
Origination and reversal of timing differences	-	(31,202)
	<u> </u>	<u> </u>
Total tax credit	(166,610)	(21,958)
	<u> </u>	<u> </u>

The actual credit for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2020	2019
	£	£
Profit before taxation	728,019	2,159,477
	<u> </u>	<u> </u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	138,324	410,301
Tax effect of expenses that are not deductible in determining taxable profit	51,977	34,875
Tax effect of utilisation of tax losses not previously recognised	20,946	(28,004)
Depreciation on assets not qualifying for tax allowances	1,960	2,927
Adjustments in respect of financial assets	-	(70,380)
Research and development tax credit	(379,817)	(371,677)
	<u> </u>	<u> </u>
Taxation credit	(166,610)	(21,958)
	<u> </u>	<u> </u>

The group has estimated UK tax losses of £1,283,051 available to carry forward against future trading profits.

12 Discontinued operations

During the year the Directors concluded that the business of Vitre Limited which had been split out from its parent company, Visual Management Systems Limited, from the start of 2020 to gauge its performance, ultimately did not fit well within the wider Veracity Group provision of specialised hardware and software to the CCTV and wider security sectors. As a result, it was concluded that this non-core resell service should cease trading from June 2020.

VERACITY UK LTD

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

13 Intangible fixed assets

Group	Goodwill	Software	Patents & licences	Total
	£	£	£	£
Cost				
At 1 January 2020	2,194,091	19,803	92,723	2,306,617
Additions	141,885	-	-	141,885
Transfers	(150,000)	-	-	(150,000)
	<u>2,185,976</u>	<u>19,803</u>	<u>92,723</u>	<u>2,298,502</u>
At 31 December 2020	2,185,976	19,803	92,723	2,298,502
Amortisation and impairment				
At 1 January 2020	236,623	19,803	78,459	334,885
Amortisation charged for the year	218,598	-	6,315	224,913
	<u>455,221</u>	<u>19,803</u>	<u>84,774</u>	<u>559,798</u>
At 31 December 2020	455,221	19,803	84,774	559,798
Carrying amount				
At 31 December 2020	1,730,755	-	7,949	1,738,704
	<u>1,957,468</u>	<u>-</u>	<u>14,264</u>	<u>1,971,732</u>
At 31 December 2019	1,957,468	-	14,264	1,971,732
Company				
	Goodwill	Patents & licences	Total	
	£	£	£	
Cost				
At 1 January 2020	150,000	92,723	242,723	
Transfers	(150,000)	-	(150,000)	
	<u>-</u>	<u>92,723</u>	<u>92,723</u>	
At 31 December 2020	-	92,723	92,723	
Amortisation and impairment				
At 1 January 2020	-	78,459	78,459	
Amortisation charged for the year	-	6,315	6,315	
	<u>-</u>	<u>84,774</u>	<u>84,774</u>	
At 31 December 2020	-	84,774	84,774	
Carrying amount				
At 31 December 2020	-	7,949	7,949	
	<u>150,000</u>	<u>14,264</u>	<u>164,264</u>	
At 31 December 2019	150,000	14,264	164,264	

VERACITY UK LTD

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

14 Tangible fixed assets											
Group	Freehold land and buildings	Leasehold land and buildings	Leasehold improvements	Plant and equipment	Fixtures and fittings	Computers	Motor vehicles	Total			
	£	£	£	£	£	£	£	£	£	£	
Cost or valuation											
At 1 January 2020	637,663	12,451	51,572	650,796	186,694	3,285	100,253	1,642,714			
Additions	-	1,340	-	77,885	24,613	5,215	38,760	147,813			
Disposals	-	-	-	-	-	-	(8,278)	(8,278)			
At 31 December 2020	637,663	13,791	51,572	728,681	211,307	8,500	130,735	1,782,249			
Depreciation and impairment											
At 1 January 2020	39,522	8,511	31,389	455,515	40,732	3,285	39,404	618,358			
Depreciation charged in the year	11,176	2,215	12,685	121,962	22,251	1,721	25,399	197,409			
Eliminated in respect of disposals	-	-	-	-	-	-	(1,207)	(1,207)			
At 31 December 2020	50,698	10,726	44,074	577,477	62,983	5,006	63,596	814,560			
Carrying amount											
At 31 December 2020	586,965	3,065	7,498	151,204	148,324	3,494	67,139	967,689			
At 31 December 2019	598,141	3,940	20,183	195,281	145,962	-	60,849	1,024,356			

VERACITY UK LTD

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Company	Freehold land and buildings	Leasehold land and buildings	Plant and equipment	Motor vehicles	Total
	£	£	£	£	£
Cost or valuation					
At 1 January 2020	637,663	12,451	449,047	53,856	1,153,017
Additions	-	1,340	74,722	-	76,062
At 31 December 2020	637,663	13,791	523,769	53,856	1,229,079
Depreciation and impairment					
At 1 January 2020	39,522	8,511	314,475	32,638	395,146
Depreciation charged in the year	11,176	2,215	96,191	7,569	117,151
At 31 December 2020	50,698	10,726	410,666	40,207	512,297
Carrying amount					
At 31 December 2020	586,965	3,065	113,103	13,649	716,782
At 31 December 2019	598,141	3,940	134,572	21,218	757,871

Freehold buildings were revalued in 2014 at £300,000 by independent external valuers on an open market basis. Additions since that date are included at cost.

The transitional rules set out in FRS 102 have been applied in implementing FRS 102. Accordingly the 2014 valuation is being deemed as the cost therefore revaluations are not required in the future.

15 Fixed asset investments

	Notes	Group 2020 £	2019 £	Company 2020 £	2019 £
Investments in subsidiaries	16	-	-	3,646,679	3,416,679
Investments in associates	17	-	37,603	-	37,603
Unlisted investments		929,310	929,310	929,310	929,310
		929,310	966,913	4,575,989	4,383,592

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NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

15 Fixed asset investments (Continued)			
Movements in fixed asset investments Group	Shares in group undertakings and participating interests	Other investments other than loans	Total
	£	£	£
Cost or valuation			
At 1 January 2020	37,603	929,310	966,913
Reclassification as a subsidiary	(37,603)	-	(37,603)
	<u>-</u>	<u>929,310</u>	<u>929,310</u>
At 31 December 2020	-	929,310	929,310
Carrying amount			
At 31 December 2020	<u>-</u>	<u>929,310</u>	<u>929,310</u>
At 31 December 2019	<u>37,603</u>	<u>929,310</u>	<u>966,913</u>
Movements in fixed asset investments Company	Shares in group undertakings and participating interests	Other investments other than loans	Total
	£	£	£
Cost or valuation			
At 1 January 2020	3,454,282	929,310	4,383,592
Additions	30,000	-	30,000
Valuation changes	12,397	-	12,397
Transfer from goodwill	150,000	-	150,000
	<u>3,646,679</u>	<u>929,310</u>	<u>4,575,989</u>
At 31 December 2020	3,646,679	929,310	4,575,989
Carrying amount			
At 31 December 2020	<u>3,646,679</u>	<u>929,310</u>	<u>4,575,989</u>
At 31 December 2019	<u>3,454,282</u>	<u>929,310</u>	<u>4,383,592</u>

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NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

16 Subsidiaries

Details of the company's subsidiaries at 31 December 2020 are as follows:

Name of undertaking	Registered office	Class of shares held	% Held	
			Direct	Indirect
Veracity Systems Surveillance Private Ltd	India	Ordinary	99.99	-
Veracity ME DMCC	United Arab Emirates	Ordinary	100.00	-
Veracity Systems Ltd	UK	Ordinary	100.00	-
Veracity USA, Inc.	USA	Ordinary	100.00	-
Visual Management Systems Holdings Limited	UK	Ordinary	100.00	-
Visual Management Systems Limited	UK	Ordinary	0	100.00
Titan AI Limited	UK	Ordinary	0	100.00
Vitre Limited	UK	Ordinary	0	100.00
Bluebox Video Limited	UK	Ordinary	52.10	-

17 Associates

During the year Veracity UK Limited acquired additional shares in the associate which has resulted in over 50% of the share capital being owned by Veracity UK Limited. The investment is now classified as a subsidiary.

18 Financial instruments

	Group 2020 £	2019 £	Company 2020 £	2019 £
Carrying amount of financial assets				
Instruments measured at fair value through profit or loss	929,310	929,310	929,310	929,310

19 Stocks

	Group 2020 £	2019 £	Company 2020 £	2019 £
Work in progress	5,537	72,263	-	-
Finished goods and goods for resale	1,968,261	1,491,586	1,414,403	1,169,708
	<u>1,973,798</u>	<u>1,563,849</u>	<u>1,414,403</u>	<u>1,169,708</u>

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NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

20 Debtors		Group 2020	2019	Company 2020	2019
		£	£	£	£
Amounts falling due within one year:					
Trade debtors		2,790,758	4,152,453	1,090,109	948,374
Corporation tax recoverable		247,471	-	35,532	-
Amounts owed by group undertakings		-	-	1,894,337	2,274,783
Other debtors		273,945	290,478	238,420	252,979
Prepayments and accrued income		523,798	332,749	330,098	165,289
		<u>3,835,972</u>	<u>4,775,680</u>	<u>3,588,496</u>	<u>3,641,425</u>
21 Creditors: amounts falling due within one year					
		Group 2020	2019	Company 2020	2019
	Notes	£	£	£	£
Bank loans	23	68,090	68,090	68,090	68,090
Trade creditors		780,224	1,115,584	659,703	544,138
Other taxation and social security		226,496	267,384	61,275	78,720
Other creditors		50,691	30,976	6,342	7,227
Accruals and deferred income		967,049	861,763	445,002	410,886
		<u>2,092,550</u>	<u>2,343,797</u>	<u>1,240,412</u>	<u>1,109,061</u>
22 Creditors: amounts falling due after more than one year					
		Group 2020	2019	Company 2020	2019
	Notes	£	£	£	£
Bank loans and overdrafts	23	422,645	280,805	244,003	280,805

VERACITY UK LTD

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

23 Loans and overdrafts

	Group 2020 £	2019 £	Company 2020 £	2019 £
Bank loans	490,735	348,895	312,093	348,895
Payable within one year	68,090	68,090	68,090	68,090
Payable after one year	422,645	280,805	244,003	280,805

The amount included above represents a UK bank loan and a US Paycheck Protection Plan forgivable loan.

The UK bank loan is secured by standard security over the property of the company.

In response to the coronavirus outbreak, the U.S. Federal Government enacted the Coronavirus Aid, Relief and Economic Security Act that established the Paycheck Protection Program (PPP) to provide small business loans. In May 2020, Veracity USA Inc. obtained a PPP loan for \$237,647. The PPP loan matures in May 2022 and bears interest at a fixed annual rate of 1%, with the first six months of interest deferred. Veracity USA Inc. believes it used all of the proceeds from the loan for qualifying payroll costs and thus expects to receive approval of its application for the loan to be forgiven in the future, at which time Veracity USA Inc. will recognise a gain on extinguishment of debt for the forgiveness of the loan and related accrued interest. At the date of approving these accounts the application had not yet been approved and therefore the PPP loan remains disclosed as a long term loan.

24 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the group and company, and movements thereon:

Group	Liabilities 2020 £	Liabilities 2019 £
Accelerated capital allowances	(2,084)	3,682

The company has no deferred tax assets or liabilities.

Movements in the year:	Group 2020 £	Company 2020 £
Liability at 1 January 2020	3,682	-
Credit to profit or loss	(5,766)	-
Asset at 31 December 2020	(2,084)	-

VERACITY UK LTD

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

25 Retirement benefit schemes

	2020	2019
Defined contribution schemes	£	£
Charge to profit or loss in respect of defined contribution schemes	135,170	154,594
	<u>135,170</u>	<u>154,594</u>

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

26 Share-based payment transactions

	Group 2020	2019	Company 2020	2019
	£	£	£	£
Expenses recognised in the year				
Arising from equity settled share based payment transactions	(6,720)	(139,196)	(6,720)	(139,196)
	<u>(6,720)</u>	<u>(139,196)</u>	<u>(6,720)</u>	<u>(139,196)</u>

For further information see the accounting policy at note 1.19.

27 Share capital

	2020	2019	2020	2019
Ordinary share capital Issued and fully paid	Number	Number	£	£
Ordinary shares of 10p each	178,612	178,067	17,861	17,806
	<u>178,612</u>	<u>178,067</u>	<u>17,861</u>	<u>17,806</u>

28 Fair value reserve

	Group 2020	2019	Company 2020	2019
	£	£	£	£
At the beginning of the year	447,006	76,584	447,006	76,584
Transfer of non-distributable profits relating to prior periods	-	370,422	-	370,422
	<u>447,006</u>	<u>447,006</u>	<u>447,006</u>	<u>447,006</u>
At the end of the year	447,006	447,006	447,006	447,006
	<u>447,006</u>	<u>447,006</u>	<u>447,006</u>	<u>447,006</u>

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NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

29 Financial commitments, guarantees and contingent liabilities

As part of the acquisition of the Visual Management Systems Holdings group there is a possibility of earn out payments to the VMS vendors in respect of accounting periods 1st June 2019 to 31st December 2019; 1st January 2020 to 31st December 2020; and 1st January 2021 to 31st December 2021.

The earn out payments will be calculated on a percentage of net profit relating to core business sales and distribution business sales. The first earn out payment will be calculated at 50% of net profit on core business sales and 40% of net profit on distribution business sales for the period ending 31st December 2019. The second earn out payment will be calculated at 40% of net profit on core business sales and 30% of net profit on distribution business sales for the year ending 31st December 2020. The final earn out payment will be calculated at 30% of net profit on core business sales and 20% of net profit on distribution business sales for the year ending 31st December 2021.

If the company breaks even or makes a loss no earn out payment will be made, therefore no payment is expected for the period ended 31st December 2019 as a result of the loss.

30 Operating lease commitments

Lessee

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group 2020	2019	Company 2020	2019
	£	£	£	£
Within one year	216,101	186,382	51,945	59,020
Between two and five years	327,788	393,388	46,250	4,250
In over five years	4,375	32,476	4,375	-
	<u>548,264</u>	<u>612,246</u>	<u>102,570</u>	<u>63,270</u>

31 Events after the reporting date

At the date on which the financial statements were approved, the continued financial implications arising from the Coronavirus (Covid-19) outbreak, which has affected the UK since February 2020, remained uncertain. The directors have reviewed the group's operational activities as a result of the Covid-19 crisis and remain confident for the future. The group has traded well and it is anticipated that it will continue to do so in the foreseeable future.

On this basis the directors are of the opinion that the Covid-19 outbreak continues to be a non-adjusting Post Balance Sheet event and that the group remains a going concern.

32 Directors' transactions

Other creditors includes the amount of £35,961 owed by the company. The loan is repayable on demand and bears no interest.

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NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

33 Cash generated from group operations		
	2020	2019
	£	£
Profit for the year after tax	894,629	2,181,436
Adjustments for:		
Taxation credited	(166,610)	(21,958)
Finance costs	9,219	1,835
Investment income	(7,254)	(21,331)
Loss on disposal of tangible fixed assets	7,069	-
Amortisation and impairment of intangible assets	224,913	146,659
Depreciation and impairment of tangible fixed assets	197,409	195,082
Amounts written off investments	-	(370,422)
Currency translation differences	(52,148)	(84,433)
Equity settled share based payment expense	(6,720)	(139,196)
Decrease in provisions	-	(31,202)
Movements in working capital:		
(Increase)/decrease in stocks	(409,949)	16,925
Decrease/(increase) in debtors	1,187,179	(933,572)
Decrease in creditors	(251,247)	(494,367)
Cash generated from operations	1,626,490	445,456
34 Cash generated from operations - company		
	2020	2019
	£	£
Profit for the year after tax	1,219,750	1,806,873
Adjustments for:		
Taxation credited	(35,532)	-
Finance costs	8,268	1,835
Investment income	(20,143)	(24,340)
Amortisation and impairment of intangible assets	6,315	7,182
Depreciation and impairment of tangible fixed assets	117,151	114,778
Amounts written off investments	-	(370,422)
Equity settled share based payment expense	(6,720)	(139,196)
Movements in working capital:		
Increase in stocks	(244,695)	(15,556)
Decrease in debtors	88,461	378,462
Increase/(decrease) in creditors	131,351	(463,086)
Cash generated from operations	1,264,206	1,296,530

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NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

35 Analysis of changes in net funds - group

	1 January 2020	Cash flows	31 December 2020
	£	£	£
Cash at bank and in hand	2,480,042	1,662,821	4,142,863
Borrowings excluding overdrafts	(348,895)	(141,840)	(490,735)
	<u>2,131,147</u>	<u>1,520,981</u>	<u>3,652,128</u>

36 Analysis of changes in net funds - company

	1 January 2020	Cash flows	31 December 2020
	£	£	£
Cash at bank and in hand	1,653,272	1,124,984	2,778,256
Borrowings excluding overdrafts	(348,895)	36,802	(312,093)
	<u>1,304,377</u>	<u>1,161,786</u>	<u>2,466,163</u>

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