

Company Registration No. 06397669 (England and Wales)

**ESEYE LIMITED**  
**GROUP ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**



# ESEYE LIMITED

## COMPANY INFORMATION

---

<b>Directors</b>	I Marsden M Zuumond Avid Limited J Whittle N Earle
<b>Secretary</b>	I Marsden
<b>Company number</b>	06397669
<b>Registered office</b>	20 Nugent Road Surrey Research Park Guildford Surrey UK GU2 7AF
<b>Auditor</b>	Wilkins Kennedy Audit Services Mount Manor House 16 The Mount Guildford Surrey GU2 4HN

---

# ESEYE LIMITED

## CONTENTS

---

	<b>Page</b>
Strategic report	1 - 2
Directors' report	3 - 4
Independent auditor's report	5 - 7
Profit and loss account	8
Group statement of comprehensive income	9
Group balance sheet	10
Company balance sheet	11
Group statement of changes in equity	12
Company statement of changes in equity	13
Group statement of cash flows	14
Notes to the financial statements	15 - 36

---

# ESEYE LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2019

---

The directors present the strategic report for the year ended 31 December 2019.

#### **Fair review of the business**

##### ***Business and market overview***

Eseye provides intelligent global connectivity for Internet of Things ("IoT") devices, through a single global platform, delivering significant reductions in the complexity and management of global IoT deployments. Our unique AnyNet technology provides seamless connectivity wherever devices are in the world, switching intelligently between our many local network partners across the globe. Through a zero touch process, devices can be rapidly and securely connected with over-the-air security certification and updates. With extensive expertise in hardware and design, Eseye can accelerate the implementation of IoT deployments, delivering the desired business outcome and benefits of IoT for our customers.

The Group operates in over 190 countries, providing connectivity to over 1300 customers.

The IoT market has the potential to disrupt, creating real competitive advantages to businesses as they continue to adopt IoT. The number of worldwide connected devices is forecast to double by 2025, and crucially it is predicted that the number of consumer and B2B IoT devices will soon exceed the number of smartphones and computers, with the trend set to continue further into the future.

##### ***Financial review and KPIs***

During the year the Group's revenues increased by 29% to £12.5m (2018: £9.7m), and the gross profit margin reduced to 46.4% (2018: 54.1%). The growth in revenue came from new customers as well as existing customers connecting new devices. Gross margin reduced due to startup costs from onboarding new network operators, in order to increase business resilience and capability.

The loss before tax for the Group increased to £4.3m (2018: £2.1m). A loss was planned in order to drive revenue growth – further details can be found in note 1.3 of the financial statements.

Equity funding of £0.5m was successfully raised during the year, and post year end a further £1.4m equity was raised between March 2020 and June 2020. This second tranche was raised during the COVID-19 pandemic and at an increase in valuation from the previous round, highlighting the high degree of investor confidence and its position in this exciting market.

In May 2019 shareholder loans amounting to £4m converted into preference shares, and a £4m loan facility was secured with a term of 4 years. In June 2020 a £2m revolving credit facility was secured with £1m being available immediately, and a further £1m from September 2020.

##### **Principal risks and uncertainties**

- *Billing risk* - there is a risk that the complexity of the billing outstrips the resources available to deliver it, and that there are errors in the billing data causing an inability to bill in a timely manner. This is mitigated by ensuring any non-standard billing packages have a sign off process, and that there is rigorous software release process and testing.
- *Financial risk* - there is a risk that the business does not meet its financial plans and that it runs out of cash due to the people with the wrong skills being in place and no succession plans or development, and that bank covenants are breached. This is mitigated by the high cash balances as a result of the equity recently raised together with the banking facilities.
- *IT risk* – there is a risk that firewalls and anti-virus systems are compromised, and that physical servers are damaged, resulting in interruption of services or loss of data. In mitigation, Eseye has extensive firewalls and anti-virus systems in place, ensures the separation of client data, and has appropriate backups in place.

# ESEYE LIMITED

## STRATEGIC REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2019

---

#### Principal risks and uncertainties (cont'd)

- *Network operator risk* – there is risk operators restrict roaming access or that they have insufficient capacity, resulting in disruption to services. In mitigation, there are direct interconnects with operator groups, and capacity planning and monitoring is in place.
- *Compliance with GDPR* – there is a risk data is misclassified, a breach is suffered and not acted upon, resulting in a fine and reputational damage. In mitigation there is appropriate staff training and communication with customers.
- *Loss of key individuals* – the risk that illness, poaching or resignation of key staff members would lead to a loss of knowledge and revenue. To mitigate this there are appropriate remuneration packages in place including long term incentive plans for key individuals.
- *Market risk* – there is a risk the wholesale pricing becomes too expensive, resulting in customers being unable to run their services and cancelling. In mitigation there is a diversified range of operators, and appropriate contractual terms are put in place.
- *Health and safety risk* – there is a risk that the pandemic could cause a shortage of staff to be able to run the business operations. Business continuity plans and adherence to government advice mitigate this risk.

#### Development and performance

The Group will continue to invest in research and development to stay at the forefront of technology in the sector. There will be further expansion in the number of network operator partners we can localise on, in order to concentrate on our core offering of global ubiquitous connectivity.

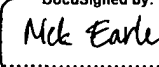
#### Other information and explanations

##### COVID-19 impact

The Group has a portfolio of customers that is diversified by industry, providing contractual managed services which are typically a revenue generating supply or a non-discretionary service from the customer point of view. However, we have seen an impact in the retail, hospitality and entertainment sectors, where some customers have disconnected devices not being used, and/or requested discounts or payment holidays. We have a low exposure to these sectors which are considered relatively high risk. Management have taken steps to protect the Group and mitigate the impact of a future reduction in revenues and cash flow including: implementing salary reductions averaging 10% and bonus reductions of 50% from 1 April 2020, reducing marketing and contractor costs, and furloughing a small number of staff.

The COVID-19 pandemic is considered to be a non-adjusting post balance sheet event.

On behalf of the board

DocuSigned by:  
  
.....CEFB4AF87E8B445...  
N Earle  
Director

.....  
14 August 2020

# **ESEYE LIMITED**

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2019**

---

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

#### **Principal activities**

The principal activity of the group continues to be that of the engineering and selling of M2M technology products and related communications services.

The principal trade is carried out in the United Kingdom, with subsidiary branches in Switzerland, India, the USA, South Africa, Australia, France, Brazil and Kenya.

#### **Events since the end of the year**

Information regarding events since the end of the year is given in the notes to the financial statements.

#### **Directors**

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

I Marsden  
M Zuumond  
Avid Limited  
J Whittle  
N Earle

#### **Results and dividends**

The results for the year are set out on page 8.

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

No preference dividends were paid. The directors do not recommend payment of a final dividend.

#### **Statement of directors' responsibilities**

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 group and 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.

# ESEYE LIMITED

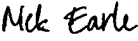
## DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

---

### 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

DocuSigned by:  
  
.....CEFB4AF67E6B445...  
N Earle  
Director

Date: 14 August 2020

## ESEYE LIMITED

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ESEYE LIMITED

---

#### Opinion

We have audited the financial statements of Eseye Limited (Consolidation) (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019 which comprise the group profit and loss account, 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 and notes to the financial statements, 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 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 2019 and of the group's loss 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

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 group's or the parent 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.

#### 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.

## **ESEYE LIMITED**

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

---

#### **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 group's and 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 group or the parent 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: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

## **ESEYE LIMITED**

### **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

#### **TO THE MEMBERS OF ESEYE LIMITED**

---

##### **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.

**Robert Southey (Senior Statutory Auditor)**  
for and on behalf of Wilkins Kennedy Audit Services

**Statutory Auditor**

*Wilkins Kennedy Audit Services*

Wilkins Kennedy Audit Services  
Mount Manor House  
16 The Mount  
Guildford  
Surrey  
GU2 4HN

21 August 2020

**ESEYE LIMITED****GROUP PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Notes	2019 £	2018 £
<b>Turnover</b>	<b>3</b>	12,509,786	9,719,905
Cost of sales		(6,705,257)	(4,458,649)
<b>Gross profit</b>		5,804,529	5,261,256
Administrative expenses		(9,394,426)	(6,829,266)
<b>Operating loss</b>	<b>4</b>	(3,589,897)	(1,568,010)
Interest receivable and similar income	<b>8</b>	2,516	1,433
Interest payable and similar expenses	<b>9</b>	(698,602)	(514,747)
<b>Loss before taxation</b>		(4,285,983)	(2,081,324)
Tax on loss	<b>10</b>	474,578	289,829
<b>Loss for the financial year</b>		(3,811,405)	(1,791,495)

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

**ESEYE LIMITED****GROUP STATEMENT OF COMPREHENSIVE INCOME****FOR THE YEAR ENDED 31 DECEMBER 2019**

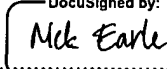
	<b>2019</b> <b>£</b>	<b>2018</b> <b>£</b>
<b>Loss for the year</b>	<b>(3,811,405)</b>	<b>(1,791,495)</b>
<b>Other comprehensive income</b>		
Currency translation differences	(50,048)	21,626
Share based payments	686,959	51,539
<b>Other comprehensive income for the year</b>	<b>636,911</b>	<b>73,165</b>
<b>Total comprehensive income for the year</b>	<b>(3,174,494)</b>	<b>(1,718,330)</b>

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

**ESEYE LIMITED****GROUP BALANCE SHEET****AS AT 31 DECEMBER 2019**

	Notes	2019		2018	
		£	£	£	£
<b>Fixed assets</b>					
Intangible assets	11	1,813,017		1,370,168	
Tangible assets	12	234,331		59,112	
Investments	13	56,091		56,091	
			<u>2,103,439</u>		<u>1,485,371</u>
<b>Current assets</b>					
Stocks	15	374,695		370,046	
Debtors	16	3,638,552		3,027,460	
Cash at bank and in hand		1,049,828		903,848	
			<u>5,063,075</u>		<u>4,301,354</u>
<b>Creditors: amounts falling due within one year</b>	17	(4,786,198)		(6,780,083)	
<b>Net current assets/(liabilities)</b>			<u>276,877</u>		<u>(2,478,729)</u>
<b>Total assets less current liabilities</b>			<u>2,380,316</u>		<u>(993,358)</u>
<b>Creditors: amounts falling due after more than one year</b>	18		8,418,332		2,386,708
<b>Provisions for liabilities</b>	20		57,941		41,407
<b>Capital and reserves</b>					
Called up share capital	23		9,080		8,961
Share premium account			7,595,567		7,095,676
Revaluation reserve			920,952		233,993
Profit and loss reserves			(14,621,556)		(10,760,103)
<b>Shareholders' funds</b>			<u>(6,095,957)</u>		<u>(3,421,473)</u>
			<u>2,380,316</u>		<u>(993,358)</u>

The financial statements were approved by the board of directors and authorised for issue on 14 August 2020 and are signed on its behalf by:

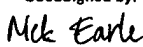
DocuSigned by:  
  
 .....CEF84AF67E8B445...  
 N Earle  
 Director

**ESEYE LIMITED****COMPANY BALANCE SHEET****AS AT 31 DECEMBER 2019**

	Notes	2019		2018	
		£	£	£	£
<b>Fixed assets</b>					
Intangible assets	11		1,359,721		943,609
Tangible assets	12		197,703		41,945
Investments	13		217,898		95,982
			<u>1,775,322</u>		<u>1,081,536</u>
<b>Current assets</b>					
Stocks	15	102,340		155,098	
Debtors	16	9,064,183		6,534,828	
Cash at bank and in hand		613,406		738,249	
			<u>9,779,929</u>	<u>7,428,175</u>	
<b>Creditors: amounts falling due within one year</b>	17	(4,278,898)		(6,280,167)	
<b>Net current assets</b>			<u>5,501,031</u>		<u>1,148,008</u>
<b>Total assets less current liabilities</b>			<u>7,276,353</u>		<u>2,229,544</u>
<b>Creditors: amounts falling due after more than one year</b>	18		8,418,332		2,386,708
<b>Provisions for liabilities</b>	20		57,941		21,257
<b>Capital and reserves</b>					
Called up share capital	23		9,080		8,961
Share premium account			7,595,567		7,095,676
Revaluation reserve			920,952		233,993
Profit and loss reserves			(9,725,519)		(7,517,051)
<b>Shareholders' funds</b>			<u>(1,199,920)</u>		<u>(178,421)</u>
			<u>7,276,353</u>		<u>2,229,544</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 loss for the year was £2,111,529 (2018 - £555,557 loss).

The financial statements were approved by the board of directors and authorised for issue on 14 August 2020 and are signed on its behalf by:

DocuSigned by:  
  
 .....CEFB4AF67E8B445.....  
 N Earle  
 Director

**Company Registration No.**

**ESEYE LIMITED****GROUP STATEMENT OF CHANGES IN EQUITY****FOR THE YEAR ENDED 31 DECEMBER 2019**

	Notes	Share capital £	Share premium account £	Revaluation reserve £	Profit and loss reserves £	Total £
<b>Balance at 1 January 2018</b>		8,540	5,329,367	182,454	(8,990,234)	(3,469,873)
<b>Year ended 31 December 2018:</b>						
Loss for the year		-	-	-	(1,791,495)	(1,791,495)
Other comprehensive income:						
Currency translation differences		-	-	-	21,626	21,626
Adjustments to fair value of financial assets		-	-	51,539	-	51,539
Total comprehensive income for the year		-	-	51,539	(1,769,869)	(1,718,330)
Issue of share capital	23	421	-	-	-	421
Other movements		-	1,766,309	-	-	1,766,309
<b>Balance at 31 December 2018</b>		8,961	7,095,676	233,993	(10,760,103)	(3,421,473)
<b>Year ended 31 December 2019:</b>						
Loss for the year		-	-	-	(3,811,405)	(3,811,405)
Other comprehensive income:						
Currency translation differences		-	-	-	(50,048)	(50,048)
Share based payments		-	-	686,959	-	686,959
Total comprehensive income for the year		-	-	686,959	(3,861,453)	(3,174,494)
Issue of share capital	23	119	499,891	-	-	500,010
<b>Balance at 31 December 2019</b>		9,080	7,595,567	920,952	(14,621,556)	(6,095,957)

**ESEYE LIMITED****COMPANY STATEMENT OF CHANGES IN EQUITY****FOR THE YEAR ENDED 31 DECEMBER 2019**

	Notes	Share capital £	Share premium account £	Revaluation reserve £	Profit and loss reserves £	Total £
<b>Balance at 1 January 2018</b>		8,540	5,329,367	182,454	(7,091,079)	(1,570,718)
<b>Year ended 31 December 2018:</b>						
Loss for the year		-	-	-	(555,557)	(555,557)
Other comprehensive income:						
Currency translation differences		-	-	-	129,585	129,585
Adjustments to fair value of financial assets		-	-	51,539	-	51,539
Total comprehensive income for the year		-	-	51,539	(425,972)	(374,433)
Issue of share capital	23	421	-	-	-	421
Other movements		-	1,766,309	-	-	1,766,309
<b>Balance at 31 December 2018</b>		8,961	7,095,676	233,993	(7,517,051)	(178,421)
<b>Year ended 31 December 2019:</b>						
Loss for the year		-	-	-	(2,111,529)	(2,111,529)
Other comprehensive income:						
Currency translation differences		-	-	-	(96,939)	(96,939)
Share based payments		-	-	686,959	-	686,959
Total comprehensive income for the year		-	-	686,959	(2,208,468)	(1,521,509)
Issue of share capital	23	119	499,891	-	-	500,010
<b>Balance at 31 December 2019</b>		9,080	7,595,567	920,952	(9,725,519)	(1,199,920)

**ESEYE LIMITED****GROUP STATEMENT OF CASH FLOWS****FOR THE YEAR ENDED 31 DECEMBER 2019**

	Notes	2019		2018	
		£	£	£	£
<b>Cash flows from operating activities</b>					
Cash absorbed by operations	27	(1,809,509)		(2,268,123)	
Interest paid		(207,021)		(9,676)	
Income taxes refunded		218,918		363,908	
<b>Net cash outflow from operating activities</b>		<b>(1,797,612)</b>		<b>(1,913,891)</b>	
<b>Investing activities</b>					
Purchase of intangible assets		(885,991)		(696,979)	
Purchase of tangible fixed assets		(172,943)		(39,779)	
Proceeds on disposal of tangible fixed assets		-		938	
Interest received		2,516		1,433	
<b>Net cash used in investing activities</b>		<b>(1,056,418)</b>		<b>(734,387)</b>	
<b>Financing activities</b>					
Proceeds from issue of shares		500,010		1,601,731	
Proceeds from borrowings		-		700,000	
Proceeds of new bank loans		2,500,000		-	
Amounts introduced by directors		-		100,000	
<b>Net cash generated from financing activities</b>		<b>3,000,010</b>		<b>2,401,731</b>	
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>145,980</b>		<b>(246,547)</b>	
Cash and cash equivalents at beginning of year		903,848		1,150,395	
<b>Cash and cash equivalents at end of year</b>		<b>1,049,828</b>		<b>903,848</b>	

# ESEYE LIMITED

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

---

### 1 Accounting policies

#### Company information

Eseye Limited (Consolidation) ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is .

The group consists of Eseye Limited (Consolidation) 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 investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

#### 1.2 Basis of consolidation

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. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

# ESEYE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2019

---

#### 1 Accounting policies

(Continued)

The consolidated financial statements incorporate those of Eseye Limited (Consolidation) and all of its subsidiaries (ie entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 31 December 2019, except for Dataflex India PVT Limited which as a year end of 31 March 2020. Interim accounts have been used to include the results for the period 30 December 2019. 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.

#### Related party exemption

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

#### 1.3 Going concern

At the balance sheet date the group had a cash balance of £1,049,828 (2018 - £903,848), and net current assets of £276,877 (2018 – £2,478,729 liabilities).

Total revenue in 2019 increased to £12,509,785 (2018 – 9,719,905) as the group continues to invest in the fast growing IoT market. As a result of this investment, operating costs continued to increase and the group made operating losses during the year of £3,589,898 (2018 - £1,568,010). The group will continue to be loss making in the short-term, however, the Board believes the forecasts demonstrate that available cash and additional funding are more than sufficient for the group to meet its liabilities as they fall due.

Equity funding of £500,000 was successfully raised during the year, and post year end a further £1,400,000 equity was raised between March 2020 and June 2020 during the COVID-19 pandemic at a higher share price compared with the previous equity round, highlighting the high degree of confidence investors have in the business.

In May 2019 an additional £4,000,000 loan facility was secured with a term of 4 years, and in June 2020 a £2,000,000 revolving credit facility was secured with £1,000,000 being available immediately, and a further £1,000,000 from September 2020.

However, not all future events or conditions can be predicted, and given the current context of COVID-19 pandemic, this statement is not a guarantee as to the group's ability to continue as a going concern. In particular, it is difficult to evaluate all the potential implications on the group's trade, customers, suppliers and the wider economy. The directors have considered the impact COVID-19 has had on the group and believe the financial impact has been minimal and will continue to be minimal due to the diversity of the group's portfolio and the nature of the services provided which are typically a revenue generating supply or a non-discretionary service from the customer point of view. Services have continued to be provided to customers and products are being sold during the lockdown period, albeit at a somewhat reduced pace in certain sectors which have been most affected by the outbreak. Management has taken active steps to mitigate the impact of a future reduction in revenues and protect the cash flow of the group by reducing staff costs along with marketing and subcontractors costs.

# ESEYE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2019

---

#### 1 Accounting policies (Continued)

##### 1.4 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 SIM card service charges is recognised on a straight line basis over the term of the subscription period and from the point of activation with any additional data usage outside the contract agreement recognised as and when it is incurred. Product sales are recognised on despatch and consultancy services are recognised at the stage of completion of individual projects.

##### 1.5 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.

##### 1.6 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.

Expenditure incurred on the development of internally generated products is capitalised if it can be demonstrated that:

- it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic assets;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

All other development expenditure is written off as incurred.

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:

Development costs	3-5 years straight line
-------------------	-------------------------

If there are indicators of a significant movement in the useful life or residual value of the assets, amortisation is revised prospectively to reflect this. Amortisation will not commence until the asset is in use.

##### 1.7 Tangible fixed assets

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

# ESEYE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2019

#### 1 Accounting policies

(Continued)

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:

Leasehold improvements	Over the lease term or to break clause
Plant and machinery	Straight line over 1 year
Fixtures and fittings	33% on cost
Computer and office equipment	33% on cost

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.

#### 1.8 Fixed asset investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

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 or .

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.

#### 1.9 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.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

## ESEYE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

---

#### 1 Accounting policies

(Continued)

##### 1.10 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell, after making due allowance for obsolete and slow moving items. Cost comprises direct materials.

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.

##### 1.11 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.

##### 1.12 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.

##### **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.

##### **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.

# ESEYE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2019

---

#### 1 Accounting policies

(Continued)

##### ***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.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

##### ***Derecognition of financial liabilities***

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

#### 1.13 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.

#### 1.14 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.

## ESEYE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### FOR THE YEAR ENDED 31 DECEMBER 2019

---

#### 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.

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.

##### **1.15 Provisions**

Provisions are recognised when the group has a legal or constructive present obligation as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

##### **1.16 Employee benefits**

The costs of short-term employee benefits are recognised as a liability and an expense.

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

##### **1.17 Retirement benefits**

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

##### **1.18 Share-based payments**

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using an appropriate pricing model. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest.

In valuing these transactions, no account is taken of vesting conditions, other than conditions linked to the price of shares of the company (market conditions) and non-vesting conditions. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance conditions are satisfied

At each balance sheet date before vesting, the cumulative expenses is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the statement of comprehensive income, with a corresponding entry in equity.

## **ESEYE LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

#### **FOR THE YEAR ENDED 31 DECEMBER 2019**

---

#### **1 Accounting policies**

**(Continued)**

##### **1.19 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.

##### **1.20 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.

On consolidation the results of the foreign subsidiaries are translated into sterling at the average rates of exchange ruling throughout that year. Exchange differences arising on consolidation are dealt with through the other comprehensive income statement.

#### **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.

##### **Key sources of estimation uncertainty**

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

##### ***Warranty provision***

Warranties are offered on all products supplied. The repair costs, which include material and labour costs associated with warranty work, are recognised as the repair work is undertaken. Provision is made at the year end for estimated warranty work required to be undertaken.

##### ***Stock provision***

Slow moving and obsolete stock is reviewed on a line by line basis to identify items which should no longer be held at cost, based on the knowledge of the client. These are provided for in full and charged to the profit and loss for the year.

##### ***Share-based payments***

The cost of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments granted at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by management using an appropriate pricing model.

In calculating the cumulative expenses representing the extent to which the vesting period has expired, management is required to estimate the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest.

**ESEYE LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2019****3 Turnover and other revenue**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
<b>Turnover analysed by class of business</b>		
Services and support	11,150,263	8,565,633
Product sales	1,242,456	988,091
Consultancy/grants	117,067	166,181
	<u>12,509,786</u>	<u>9,719,905</u>
	<u>12,509,786</u>	<u>9,719,905</u>
<b>Other significant revenue</b>		
Interest income	2,516	1,433
	<u>2,516</u>	<u>1,433</u>
	<u>2,516</u>	<u>1,433</u>
<b>Turnover analysed by geographical market</b>		
United Kingdom	6,335,538	5,301,059
Europe	1,888,185	1,646,656
United States of America	1,216,670	1,009,946
Africa	817,418	840,403
Oceania	318,931	418,737
Rest of the world	1,933,044	503,104
	<u>12,509,786</u>	<u>9,719,905</u>
	<u>12,509,786</u>	<u>9,719,905</u>

**4 Operating loss**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Operating loss for the year is stated after charging/(crediting):		
Foreign exchange on trading activities	28,782	31,379
Research and development costs	10,989	29,367
Depreciation of owned tangible fixed assets	58,022	37,852
Profit on disposal of tangible fixed assets	-	(938)
Amortisation of intangible assets	767,856	585,828
Bad and doubtful debts	65,818	140,296
Share-based payments	686,959	51,539
Operating lease charges	187,513	187,724
	<u>1,885,939</u>	<u>1,885,939</u>
	<u>1,885,939</u>	<u>1,885,939</u>

**ESEYE LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2019****5 Auditor's remuneration**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Fees payable to the company's auditor and associates:		
<b>For audit services</b>		
Audit of the financial statements of the group and company	16,700	15,650
Audit of the financial statements of the company's subsidiaries	8,850	8,750
	<u>25,550</u>	<u>24,400</u>
<b>For other services</b>		
Taxation compliance services	<u>3,000</u>	<u>2,900</u>

**6 Employees**

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

	<b>Group</b>	<b>2018</b>	<b>Company</b>	<b>2018</b>
	<b>2019</b>	<b>Number</b>	<b>2019</b>	<b>Number</b>
	<b>Number</b>	<b>Number</b>	<b>Number</b>	<b>Number</b>
Engineering	47	33	22	13
Sales and Marketing	15	16	9	10
Finance and admin	14	9	10	6
Directors	2	1	2	1
<b>Total</b>	<u>78</u>	<u>59</u>	<u>43</u>	<u>30</u>

Their aggregate remuneration comprised:

	<b>Group</b>	<b>2018</b>	<b>Company</b>	<b>2018</b>
	<b>2019</b>	<b>£</b>	<b>2019</b>	<b>£</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Wages and salaries	4,450,377	2,421,834	3,249,794	1,416,500
Social security costs	458,199	299,521	322,768	163,028
Pension costs	147,425	144,628	101,463	103,154
	<u>5,056,001</u>	<u>2,865,983</u>	<u>3,674,025</u>	<u>1,682,682</u>

**ESEYE LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2019****7 Directors' remuneration**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Remuneration for qualifying services	255,000	120,000
Company pension contributions to defined contribution schemes	5,000	29,000
	<u>260,000</u>	<u>149,000</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2018 - 1).

**8 Interest receivable and similar income**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
<b>Interest income</b>		
Interest on bank deposits	2,497	1,433
Other interest income	19	-
	<u>2,516</u>	<u>1,433</u>

**9 Interest payable and similar expenses**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Interest on bank overdrafts and loans	137,127	16
Other interest on financial liabilities	454,939	514,731
Borrowing costs	106,536	-
	<u>698,602</u>	<u>514,747</u>

**10 Taxation**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
<b>Current tax</b>		
UK corporation tax on profits for the current period	(448,782)	(317,099)
Adjustments in respect of prior periods	1,041	-
	<u>(447,741)</u>	<u>(317,099)</u>
Foreign current tax on profits for the current period	(26,837)	27,270
	<u>(474,578)</u>	<u>(289,829)</u>

**ESEYE LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2019****10 Taxation****(Continued)**

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

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Loss before taxation	(4,285,983)	(2,081,324)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	(814,337)	(395,452)
Tax effect of expenses that are not deductible in determining taxable profit	178,679	36,317
Tax effect of income not taxable in determining taxable profit	241,084	162,593
Unutilised tax losses carried forward	159,133	50,090
Permanent capital allowances in excess of depreciation	(14,612)	-
Research and development tax credit	(448,782)	(317,097)
Under/(over) provided in prior years	1,041	-
Intangible assets tax adjustments	(9,753)	(5,412)
R&D surrender	255,678	149,174
Provisions tax adjustment	4,128	2,688
Foreign tax	(26,837)	27,270
Taxation credit	(474,578)	(289,829)

In addition to the amount charged to the profit and loss account, the following amounts relating to tax have been recognised directly in other comprehensive income:

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Current tax arising on:		
Share based payments	-	-
Foreign exchange reserves	-	-
Total tax recognised in other comprehensive income	-	-

**Factors that may affect future tax charges**

At the year end the group has trading losses carried forward of £6,600,600 (2018 - £5,761,300) resulting in a potential deferred tax asset of £1,254,100 (2018 - £1,094,600).

It is the directors opinion that research and development expenditure will continue for the foreseeable future and will be sufficient to cover all future taxable profits. The directors have therefore not recognised a deferred tax asset in respect of losses carried forward on the basis that it is uncertain whether available taxable profits will arise in the foreseeable future.

**ESEYE LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2019****11 Intangible fixed assets**

<b>Group</b>	<b>Development costs £</b>
<b>Cost</b>	
At 1 January 2019	3,656,885
Additions - internally developed	1,210,705
At 31 December 2019	<u>4,867,590</u>
<b>Amortisation and impairment</b>	
At 1 January 2019	2,286,717
Amortisation charged for the year	767,856
At 31 December 2019	<u>3,054,573</u>
<b>Carrying amount</b>	
At 31 December 2019	<u>1,813,017</u>
At 31 December 2018	<u>1,370,168</u>
 <b>Company</b>	 <b>Development costs £</b>
<b>Cost</b>	
At 1 January 2019	2,578,969
Additions - internally developed	1,032,115
At 31 December 2019	<u>3,611,084</u>
<b>Amortisation and impairment</b>	
At 1 January 2019	1,635,360
Amortisation charged for the year	616,003
At 31 December 2019	<u>2,251,363</u>
<b>Carrying amount</b>	
At 31 December 2019	<u>1,359,721</u>
At 31 December 2018	<u>943,609</u>

**ESEYE LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2019****12 Tangible fixed assets**

<b>Group</b>	<b>Leasehold land and buildings</b>	<b>Plant and machinery</b>	<b>Fixtures and fittings</b>	<b>Computer and office equipment</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost</b>					
At 1 January 2019	13,599	110,702	18,444	275,663	418,408
Additions	92,183	4,438	32,732	103,888	233,241
At 31 December 2019	105,782	115,140	51,176	379,551	651,649
<b>Depreciation and impairment</b>					
At 1 January 2019	11,698	107,634	11,822	228,142	359,296
Depreciation charged in the year	10,729	4,147	8,778	34,368	58,022
At 31 December 2019	22,427	111,781	20,600	262,510	417,318
<b>Carrying amount</b>					
At 31 December 2019	83,355	3,359	30,576	117,041	234,331
At 31 December 2018	1,901	3,068	6,622	47,521	59,112
<b>Company</b>		<b>Leasehold land and buildings</b>	<b>Fixtures and fittings</b>	<b>Computer and office equipment</b>	<b>Total</b>
		<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost</b>					
At 1 January 2019		11,698	18,154	234,624	264,476
Additions		90,298	30,529	84,015	204,842
At 31 December 2019		101,996	48,683	318,639	469,318
<b>Depreciation and impairment</b>					
At 1 January 2019		11,698	11,739	199,094	222,531
Depreciation charged in the year		10,050	8,603	30,431	49,084
At 31 December 2019		21,748	20,342	229,525	271,615
<b>Carrying amount</b>					
At 31 December 2019		80,248	28,341	89,114	197,703
At 31 December 2018		-	6,415	35,530	41,945

**ESEYE LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2019****13 Fixed asset investments**

	Notes	Group 2019 £	2018 £	Company 2019 £	2018 £
Investments in subsidiaries	14	-	-	217,898	95,982
Unlisted investments		56,091	56,091	-	-
		<u>56,091</u>	<u>56,091</u>	<u>217,898</u>	<u>95,982</u>

**Movements in fixed asset investments****Group****Investments  
other than  
loans  
£****Cost or valuation**

At 1 January 2019 and 31 December 2019

56,091

**Carrying amount**

At 31 December 2019

56,091

At 31 December 2018

56,091

**Movements in fixed asset investments****Company****Shares in  
group  
undertakings  
£****Cost or valuation**

At 1 January 2019

95,982

Additions

121,916

At 31 December 2019

217,898

**Carrying amount**

At 31 December 2019

217,898

At 31 December 2018

95,982

**14 Subsidiaries**

Details of the company's subsidiaries at 31 December 2019 are as follows:

**ESEYE LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2019****14 Subsidiaries****(Continued)**

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct
Eseye Design Limited	20 Nugent Road, Surrey Research Park, Guildford, GU2 7AF	Communications system development and wholesale	Ordinary	100.00
Dataflex India PVT Ltd	711D Mall, Netaji Subhash Place, Pitampura Dehli 110034, India	Design and development of communication systems	Ordinary	100.00
Anynet Limited	20 Nugent Road, Surrey Research Park, Guildford, GU2 7AF	Dormant	Ordinary	100.00
Dataflex APAC Limited	PO Box 183, Earlwood, NSW 2206, Australia	Wholesale of communication systems	Ordinary	100.00
Eseye Switzerland Limited	Chemin du Fenillet 1, 1866 La Forclaz, Switzerland	Wholesale of communication systems	Ordinary	100.00
Eseye (PTY) Limited (SA)	35 Kudu Crescent, Rivonia 2128, South Africa	Wholesale of communication systems	Ordinary	100.00
Eseye France	27 Rue Marius Jacotot, 92800 Puteaux, France	Wholesale of communication systems	Ordinary	100.00
Eseye Brasil	RUA Boa Vista 254, Andar 13 Conj 45, Centro, Sao Paulo, CEP 01.014-907, Brasil	Wholesale of communication systems	Ordinary	100.00
Eseye East Africa	Empress Office Suites, Ring Road, Westlands	Wholesale of communication systems	Ordinary	100.00
Eseye LLC	1044 Black Rock Tpk, Easton, CT 06612, United States	Wholesale of communication systems	Ordinary	100.00

**15 Stocks**

	Group 2019 £	2018 £	Company 2019 £	2018 £
Finished goods and goods for resale	374,695	370,046	102,340	155,098

**16 Debtors**

	Group 2019 £	2018 £	Company 2019 £	2018 £
<b>Amounts falling due within one year:</b>				
Trade debtors	2,120,790	2,199,189	1,726,759	1,759,686
Corporation tax recoverable	545,200	317,099	339,137	220,681
Amounts owed by group undertakings	-	-	6,479,721	4,239,130
Other debtors	108,479	75,734	56,624	37,002
Prepayments and accrued income	864,083	435,438	461,942	278,329
	<u>3,638,552</u>	<u>3,027,460</u>	<u>9,064,183</u>	<u>6,534,828</u>

**ESEYE LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2019****17 Creditors: amounts falling due within one year**

	Notes	Group 2019 £	2018 £	Company 2019 £	2018 £
Bank loans	19	461,538	-	461,538	-
Other borrowings	19	1,030,398	4,249,471	1,030,398	4,249,470
Trade creditors		1,552,766	1,142,026	1,334,378	933,738
Corporation tax payable		-	27,559	-	-
Other taxation and social security		331,289	268,205	260,271	204,722
Other creditors		218,671	455,022	191,267	385,394
Accruals and deferred income		1,191,536	637,800	1,001,046	506,843
		<u>4,786,198</u>	<u>6,780,083</u>	<u>4,278,898</u>	<u>6,280,167</u>

Included within other creditors is an amount of £113,590 (2018 - £212,752) owed to the directors, as detailed in note 25.

**18 Creditors: amounts falling due after more than one year**

	Notes	Group 2019 £	2018 £	Company 2019 £	2018 £
Bank loans and overdrafts	19	2,038,462	-	2,038,462	-
Other borrowings	19	6,379,870	2,386,708	6,379,870	2,386,708
		<u>8,418,332</u>	<u>2,386,708</u>	<u>8,418,332</u>	<u>2,386,708</u>

Included within other borrowings above are preference shares of £6,379,870 (2018 - £2,386,708) which are falling due between two and five years. As detailed in note 23, this amount consists of 109,869 allotted, issued and fully paid 5% preference shares of £0.01 each. The costs associated with issuing these shares have been deducted from the carrying value.

**19 Loans and overdrafts**

	Group 2019 £	2018 £	Company 2019 £	2018 £
Bank loans	2,500,000	-	2,500,000	-
Preference shares	6,379,870	2,386,708	6,379,870	2,386,708
Loans from related parties	1,030,398	4,249,471	1,030,398	4,249,470
	<u>9,910,268</u>	<u>6,636,179</u>	<u>9,910,268</u>	<u>6,636,178</u>
Payable within one year	1,491,936	4,249,471	1,491,936	4,249,470
Payable after one year	8,418,332	2,386,708	8,418,332	2,386,708

**ESEYE LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2019****19 Loans and overdrafts****(Continued)**

The long-term loans are secured by fixed charges as follows:

On 23 May 2019 Clydesdale Bank PLC created a fixed and floating charge over all property of Eseye Limited.

In the year, the company has drawdown £2.5m of the £4m facility available from the bank. This is repayable by twelve quarterly installments of £153,846 and a final installment of £653,848 on 30 April 2023. Interest is paid quarterly in arrears at a rate of 8% plus LIBOR per annum.

**20 Provisions for liabilities**

	<b>Group 2019 £</b>	<b>2018 £</b>	<b>Company 2019 £</b>	<b>2018 £</b>
Warranty provision	27,941	41,407	27,941	21,257
Dilapidations provision	30,000	-	30,000	-
	<u>57,941</u>	<u>41,407</u>	<u>57,941</u>	<u>21,257</u>

Movements on provisions:

<b>Group</b>	<b>Warranty provision £</b>	<b>Dilapidations provision £</b>	<b>Total £</b>
At 1 January 2019	41,407	-	41,407
Additional provisions in the year	6,684	30,000	36,684
Reversal of provision	(20,150)	-	(20,150)
At 31 December 2019	<u>27,941</u>	<u>30,000</u>	<u>57,941</u>

<b>Company</b>	<b>Warranty provision £</b>	<b>Dilapidations provision £</b>	<b>Total £</b>
At 1 January 2019	21,257	-	21,257
Additional provisions in the year	6,684	30,000	36,684
At 31 December 2019	<u>27,941</u>	<u>30,000</u>	<u>57,941</u>

**21 Retirement benefit schemes**

	<b>2019 £</b>	<b>2018 £</b>
<b>Defined contribution schemes</b>		
Charge to profit or loss in respect of defined contribution schemes	<u>147,425</u>	<u>144,628</u>

**ESEYE LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2019****21 Retirement benefit schemes****(Continued)**

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. There were £38,361 (2018 - £15,655) of outstanding contributions at the year end.

**22 Share-based payment transactions**

Eseye Limited operates an Enterprise Management Incentive Scheme ('EMI Scheme') for 6 of its employees and an Unapproved Scheme for 7 of its employees, contractors and members of the advisory board. Under the Option Rules, options may be granted in favour of certain employees, contractors and members of the advisory board of the Company pursuant to the Option Plan. The options can only be exercised if the market value of a share is not less than £24.0675. The options vest as to one third on or after the first anniversary of the option holder's employment/contractor start date and then 1/24 per month thereafter. The Board has a discretion to allow all options to vest in the event of a sale or flotation of the company. The options lapse in the event the option holder ceases to be an employee/contractor for any reason, but only to the extent the option remains unvested at the date of termination.

Group and company	Number of share options		Weighted average exercise price	
	2019 Number	2018 Number	2019 £	2018 £
Outstanding at 1 January 2019	68,750	68,750	10.78	10.78
Granted	55,588	-	32.81	10.78
Outstanding at 31 December 2019	<u>124,338</u>	<u>68,750</u>	<u>20.63</u>	<u>10.78</u>
Exercisable at 31 December 2019	<u>124,338</u>	<u>68,750</u>	<u>20.63</u>	<u>10.78</u>

The options outstanding at 31 December 2019 had an exercise price of £20.63 and a remaining contractual life ranging from 1 to 3 years.

**Group and company**

The weighted average fair value of options granted in the year was determined using the Black-Scholes option pricing model. The Black-Scholes model is considered to apply the most appropriate valuation method due to the relatively short contractual lives of the options and the requirement to exercise within a short period after the employee becomes entitled to the shares (the "vesting date").

The company has taken advantage of the exemption under paragraph 35.10 of FRS 102 not to include the fair value of the share options granted prior to the date of transition.

Inputs were as follows:

	2019	2018
Weighted average share price	43.57	43.57
Weighted average exercise price	32.81	10.78
Expected volatility	0.50	0.50
Expected life	3.00	3.00
Risk free rate	<u>1.03</u>	<u>1.03</u>

**ESEYE LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2019****22 Share-based payment transactions****(Continued)**

The fair value of the share based options at measurement date was £1,751,940 (2018 - £248,298).

The expected volatility is based upon the historical volatility of the Company over the previous 5 years, and reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

There are service related conditions associated with the share options but no market related conditions.

**23 Share capital**

	<b>Group and company</b>	
	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
908,005 (2018: 896,100) Ordinary of 1p each	9,080	8,961
	<u>          </u>	<u>          </u>
<b>Preference share capital</b>		
<b>Issued and fully paid</b>		
213,968 (2018: 109,869) 5% Preference shares of 1p each	2,140	1,099
	<u>          </u>	<u>          </u>
Preference shares classified as liabilities	<u>          </u>	<u>          </u>

On 05 March 2019 11,905 ordinary shares of 1p were allotted as fully paid at a premium of £41.99 per share.

On 01 May 2019 53,974 preference shares of 1p were allotted as fully paid at a premium of £34.99 per share.

On 01 May 2019 50,125 preference shares of 1p were allotted as fully paid at a premium of £41.99 per share.

**24 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:

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Within one year	158,965	25,644	133,641	-
Between two and five years	526,250	79,068	473,492	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	<u>685,215</u>	<u>104,712</u>	<u>607,133</u>	<u>-</u>

**ESEYE LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2019****25 Events after the reporting date**

In 2020 the world was shaken with the onset of COVID-19. The directors have assessed the operational and financial impact on the group and have taken precautionary measures to mitigate the impact of future reduction in revenue and cash flow. As a result of having a very diverse portfolio of customers, the group has low exposure to sectors heavily affected by COVID-19.

Therefore, the directors do not believe that these events would have a material impact on the carrying value of the group's assets at 31 December 2019 and consider this a non-adjusting post balance sheet event.

**26 Related party transactions****Transactions with related parties**

Included other creditors due within one year are the following transactions and amounts outstanding in respect of loans to the company:

	Interest accruing in year	Balance outstanding at year end
I Marsden	£8,560 (2018- £8,580)	£113,590 (2018 - £160,171)
GP Projects Limited	£6,000 (2018 - £6,000)	£111,621 (2018 - £105,621)
P Marshall	£8,560 (2018 - £8,494)	£114,881 (2018 - £161,375)
N Earle	£2,560 (2018 - £2,580)	£nil (2018- £52,580)

GP Projects Limited is a company over which I Marsden, director, has significant influence. P Marshall is an employee who is considered to have significant influence over the business operations and company's strategy.

Included within creditors falling due after one year are the following 5% preference shares issued to directors during the year:

	Interest accruing in year	Preference shares
I Marsden	£1,851 (2018- £nil)	£55,158 (2018 - £nil)
N Earle	£1,852 (2018- £nil)	£55,196 (2018 - £nil)

Interest accruing on the preference shares are shown as current liabilities.

**ESEYE LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2019****27 Cash absorbed by group operations**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Loss for the year after tax	(3,811,405)	(1,791,495)
<b>Adjustments for:</b>		
Taxation credited	(474,578)	(289,829)
Finance costs	698,602	514,747
Investment income	(2,516)	(1,433)
Gain on disposal of tangible fixed assets	-	(938)
Amortisation and impairment of intangible assets	767,856	586,003
Depreciation and impairment of tangible fixed assets	58,022	37,852
Share based payments	686,959	51,539
Increase/(decrease) in provisions	16,534	(31,133)
<b>Movements in working capital:</b>		
Increase in stocks	(4,649)	(97,232)
Increase in debtors	(382,991)	(768,934)
Increase/(decrease) in creditors	638,657	(477,270)
<b>Cash absorbed by operations</b>	<b>(1,809,509)</b>	<b>(2,268,123)</b>

**28 Analysis of changes in net debt - group**

	<b>1 January</b>	<b>Cash flows</b>	<b>Other non-</b>	<b>31 December</b>
	<b>2019</b>	<b>cash</b>	<b>cash</b>	<b>2019</b>
	<b>£</b>	<b>£</b>	<b>changes</b>	<b>£</b>
			<b>£</b>	
Cash at bank and in hand	903,848	145,980	-	1,049,828
Bank borrowings excluding overdrafts	-	(2,500,000)	-	(2,500,000)
Convertible loan notes	(4,608,592)	-	3,418,234	(1,190,358)
Preference shares	(2,386,708)	-	(3,993,162)	(6,379,870)
	<u>(6,091,452)</u>	<u>(2,354,020)</u>	<u>(574,928)</u>	<u>(9,020,400)</u>