

**OXFORD METRICS PLC**  
ANNUAL REPORT AND  
FINANCIAL STATEMENTS

FOR THE YEAR ENDED  
30 SEPTEMBER 2020

COMPANY NO 03998880

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## CHAIRMAN'S STATEMENT

As we review what has been a most unexpected 2020, we find three key themes emerging, which demonstrate both the strengths of the business today and, perhaps more importantly, where the opportunities lie for the future.

- **Oxford Metrics is a resilient business well placed to adapt to changes to the economy arising from the pandemic.** Over the past year the Group has clearly demonstrated its strength and agility in the face of unanticipated challenges, moving quickly to adapt to the new environment to continue to serve our customers.
- **Short-term sales have been held back but the main growth drivers in our two divisions are accelerating.** Although the pandemic did cause a delay in closing sales over the second half of the financial year, we have seen signs of an acceleration of market trends which should benefit us in the future.
- **Our strong financial platform affords us the opportunity to bring forward growth plans.** Through these unprecedented times we have continued to be profitable and generate cash. Our strong fundamentals and robust financial position provide us with a solid platform to weather challenges presented in the on-going economic environment, re-prioritise and fast track organic growth opportunities and expedite acquisition opportunities.

These themes are reflected in our headline financial performance for the 12 months to 30th September 2020 with the Group reporting revenue of £30.3m (FY19: £35.3m) and an Adjusted PBT\* of £2.6m (FY19: £5.5m) despite the unprecedented market conditions. Furthermore, we are pleased to report that these results include a profitable second half for our Yotta subsidiary following several years of investment in its transition to a Software-as-a-Service offering ('SaaS'), enhancing the Group's recurring revenue base and forward visibility.

We continued to improve the quality of our earnings by increasing our Annual Recurring Revenue ('ARR') to £6.8m (FY19: £6.2m). This growth was achieved by our Yotta subsidiary, which signed £1.0m in new ARR during the financial year (FY19: £1.0m) whilst retention rates fell slightly to 91.7% (FY19: 94.8%).

The Group reports another year of cash generation with operating cash flow of £6.4m (FY19: £7.7m). The Group had £14.9m in cash as of 30 September 2020 (30 September 2019: £13.8m) having paid a final 2019 dividend of £2.3m (2018: £1.9m) during the year. In the light of this cash performance and confidence in our resilience as a business but tempered by the continued economic uncertainty, the Board proposes maintaining our final dividend at 1.80p per share (FY19 Final Dividend: 1.80p) this year. Our dividend policy remains to make the pay-out progressive with the aim of maintaining an average dividend cover of approximately 2 times Adjusted\* Earnings per Share.

Finally, I would like to thank all stakeholders in our business for their exceptional contributions over the past year – our outstanding global team and their families who adapted so well to the new operational environment, and our shareholders, partners and customers who continued to support us in these most challenging of times.

**Roger Parry**  
Chair

*\* Profit Before Tax before Group recharges adjusted for share-based payments, amortisation of intangibles arising on acquisition, fair value adjustments to IMeasureU purchase consideration, impairment of Pimloc investment and exceptional costs.*

# STRATEGIC REPORT

Nick Bolton, CEO

2019/20 was a challenging year, but despite the COVID-19 pandemic both divisions made progress that will benefit both towards our short-term goals and broader strategic aims.

## STRATEGIC REVIEW

As the Chairman has already introduced in his review, we saw three key strategically relevant themes develop over the past 12 months. These are worth explaining in detail in order to understand both the historical performance and where the business can go from here.

### *1. Resilient business well placed to adapt to the post-pandemic economy*

From March 2020, we moved quickly to remain fully functional whilst ensuring the safety of our people and customers. None of our employees were furloughed and we serviced our global customer base remotely. For those who could not work from home, we put in place safe working environments and practices and saw no significant hiatus in our ability to fulfil customer orders at Vicon or deliver implementation projects at Yotta. The team adapted brilliantly to this new remote working model.

Looking forward, evidence from our sales and client service teams suggests that customers have changed the way they want to engage with us as a result of the pandemic. We have stayed close to customers throughout the pandemic and are fortunate to have strong, established and well-respected brands which provide the environment of trust to enable the whole sales process to be conducted without the same number of face-to-face meetings. Whilst we still expect to make some sales in traditional ways, we believe we can increase sales efficiency by making full use of remote working.

### *2. Short-term sales delay but macro growth drivers accelerating*

The second observation is that although the pandemic caused a short-term delay to sales across both divisions, we saw stronger macro winds of positive market change which, we believe, will assist in driving our growth in the future.

During the lockdowns and throughout the second half, the sales delay arose from some of our customers having to shut down their operations and activities which meant our planned sales to them were deferred. In some cases, this was customers needing to address immediate operational needs, temporarily de-prioritising adoption or upgrade of our technology. For example, where Local Authorities needed to focus on the reconfiguration of their services, such as waste collection or home care, given the new lockdown environments. This switch of focus delayed procurement processes, rather than causing their cancellation, and as we move into 2021 we see a broad picture of a return to more normal Local Authority procurement cycles. Indeed, we are encouraged by the interest shown by new customers. In the case of Yotta we believe the strong word-of-mouth approval from users of our software is creating interest from a wider range of UK Local Authorities, and Vicon's motion measurement technology is finding a wider range of potential end-users as new use cases continue to emerge.

Despite the pandemic causing a short-term sales delay, it also accelerated broader changes prevalent in our markets – all of which are positive for the long-term success of the Group.

In Yotta, we have witnessed an acceleration in the Digital Transformation of public asset management. With asset maintenance and service teams across the UK now having to work and be managed remotely - be that assigning work, reporting inspections or collecting waste - local government customers need digital tools to help them run their services in this new way. This "shift to digital" was already underway but the pandemic has accelerated the need for tools like Yotta's to seamlessly manage this new remote way of working.

At Vicon, the macro driver is the move of motion measurement into the mainstream and into everyday life – watches which measure our steps, robotics which assist our lives, and smartphones which can now track skeletal movement. The pandemic has made companies look to bring forward remote sensing or operations projects, which requires a capability to measure motion within their products and services. For example, non-contact passenger security systems which will remotely track our movements and behaviours to ensure public safety; or virtual film production which requires fewer people simultaneously on set; or in monitoring patients post-orthopaedic surgery at home avoiding the need to bring patients into traditional healthcare environments. This acceleration in the move to remote sensing in more markets is further validation of Vicon's broader application and bodes well for this division's continuing long-term success.

### *3. Strong financial platform affords us the opportunity to bring forward growth plans*

The Group's finances are in robust shape. We generated cash despite the exceptional trading environment. We have no debt, exercise tight financial controls and we are maintaining our dividend this year, without impacting our ability to invest in the future of the business. Given the strength of this financial position and the accelerated macro picture in both our divisions, we are now in a position to bring forward our growth plans through both organic and inorganic development.

### Organic growth

Both divisions have organic growth opportunities. At Yotta, we estimate we hold around 12% of the UK market for applications we serve. Over the past 12 months with growing ARR levels, we have demonstrated we have a compelling proposition with our innovative product, Alloy. Several flagship partnerships have been secured including: with Panasonic to run Alloy on their in-cab devices in waste collection vehicles; with Telensa, the UK's largest provider of smart IoT streetlights, to provide a seamless lighting solution; and control groups of streetlights and with bbits as part of their "Love Clean Streets" initiative. Over the coming year we will continue to invest in both market and product development with a key focus on the UK market.

At Vicon, our organic plans fall into two specific growth vectors: Established Markets and Adjacent Verticals. In our Established Markets business, where we hold a market-leading position, we will continue to invest in R&D to provide the most capable platform for our customers to undertake their work and maintain that leadership role. Our Adjacent Verticals opportunity continues to grow as more markets recognise the value motion measurement can bring to their specific vertical implementation. We can see this in the interest in our elite sports solutions from the new markets of orthopaedic rehabilitation and military performance management, and also in the emerging opportunity to exploit our Location-based Virtual Reality ('LBVR') solution further in the enterprise and defence markets.

As we look to exploit these adjacent market opportunities, we are developing and working with a network of carefully selected partners, who provide complementary technology and/or channels to market. We now have 14 such partners in total. This partner-centric approach means the business can focus on its core competency of measurement capability and avoid the expensive market start-up costs of channel development and whole product investment.

### Inorganic growth

Given our strong financial position we are actively investigating acquisition opportunities to strengthen both of our existing divisions. Using a strict criteria lens, we are exploring opportunities in software related to measurement and data analysis with niche commercial applications.

In our asset management division, this means expanding our geographical and/or vertical market customer footprint. We know Alloy can manage almost any type of asset and thus has applications outside its current markets, therefore we can accelerate its adoption by adding organisations with existing successful customer relationships in those markets.

In our motion measurement division, we have two broad target areas. Firstly, companies which hold complementary sensing and measuring technologies which can be incorporated into the Vicon proposition, and secondly companies which hold material end-user market positions which would benefit from motion-enabling or bringing our existing 3D capabilities to their marketplaces.

Our strategy and strong financial position enable us to drive our software into more applications, amplifying the core of what we do.

## OPERATIONAL REVIEW

2019/20 was a challenging year operationally but despite the COVID-19 pandemic both Vicon and Yotta made progress and growth trends have accelerated that will benefit the longer-term for both divisions.

### Asset Management Division – Yotta

| KPI                     | Revenue      |       | PBT            |         | Adjusted PBT*  |         |
|-------------------------|--------------|-------|----------------|---------|----------------|---------|
|                         | FY20         | FY19  | FY20           | FY19    | FY20           | FY19    |
| <b>Asset Management</b> | <b>£7.5m</b> | £7.0m | <b>(£1.3m)</b> | (£1.5m) | <b>(£0.1m)</b> | (£0.2m) |

Our Asset Management division, Yotta, reported its highest level of ARR of £6.8m on 30th September 2020 (30th September 2019: £6.2m) and customer retention of 91.7% (FY19: 94.8%). Having reported additions to ARR in the first half of £0.8m, progress was muted in the third quarter due to the pandemic, but the market has since adapted and momentum driven by ongoing Digital Transformation saw additions rise in the fourth quarter to record total additions for the year of £1.0m.

Reported headline revenue increased by 7.3% to £7.5m (FY19: £7.0m) and the division reported an Adjusted PBT\* loss of £0.1m (FY19 Loss: £0.2m). Our shareholders will be aware that we have been investing in Yotta for several years and consequently the business has been loss-making. Having completed its transition to SaaS, we are delighted to report that the business produced a £0.4m profit in the second half and is now profitable on a run-rate basis at the current level of ARR and normal levels of consulting revenue, so a major milestone has been achieved by the business.

This growth in ARR was driven by some excellent competitive wins across UK local government, including at South Gloucestershire, Warwickshire, Somerset, Worcestershire and City of York. Furthermore, because of lockdowns, contract wins

secured in the first part of the year were successfully implemented remotely. This worked well and, indeed, we have been able to get many customers live and continue to implement with others, some of which without ever meeting them in person.

During Q3 Yotta saw sales wins pause, but the processes around pipeline generation and activity did not. Yotta's sales team worked on modifying their customer and prospect engagement models to reflect the new situation and activity levels in the earlier part of sales campaigns remained high. Q4 saw many of the stalled latter-stage campaigns restart and close due to reduced pressure on Local Authority authorisation processes.

We are now seeing activity levels grow throughout Yotta's sales processes, with many new and existing prospects and customers citing a higher priority for capable and robust systems to help them operate in a world where remote services are needed. This is accelerating the need for systems to aid implementation of Digital Transformation processes, where customers want or need to engage online and not in person. Alloy's connectivity and flexible data model means that it is ideally placed to help customers react to situations for which they have not planned. New services or asset classes can easily be created by them using standard tools. Similarly, connections to new audiences or other systems are equally available.

With the expectation that at least another £1.0m will be added to ARR in FY21, our Asset Management division is well placed to deliver a full year of profitability ahead.

### Motion Measurement Division – Vicon

| KPI                       | Revenue       |        | PBT          |       | Adjusted PBT* |       |
|---------------------------|---------------|--------|--------------|-------|---------------|-------|
|                           | FY20          | FY19   | FY20         | FY19  | FY20          | FY19  |
| <b>Motion measurement</b> | <b>£22.8m</b> | £28.3m | <b>£2.7m</b> | £6.3m | <b>£4.8m</b>  | £8.1m |

Vicon reported a decline in revenue of 19.6% to £22.8m (FY19: £28.3m) which has interrupted continuous growth since 2015. The COVID-19 pandemic affected all market segments but to varying degrees. Hardest hit was the Engineering segment, down 31.2% and the Life Sciences segment down 25.8%. In contrast the Entertainment segment was down by only 1.0% and Adjacent Verticals (including primarily LBVR) was down 5.1%.

Gross margin on reported revenue was 73.6% (FY19: 74.0%) so largely comparable with last year, but the impact in real terms was a loss of gross margin of around £4.0m compared to last year. The impact on Adjusted PBT\* was mitigated to some extent by lower commissions and primarily from Lockdown-related savings. For example, travel-related costs, marketing events and other areas of discretionary spend were substantially lower than last year. Consequently, Vicon reported a lower Adjusted PBT\* of £4.8m (FY19: £8.1m).

### Established Markets – strength in leadership

In order to maintain our leadership position in our most developed markets we continued to invest in R&D and product innovation throughout the year, which saw us deliver over 20 new software releases over the year. This included the addition of a Machine Learning-based hand and finger tracking solution in Shogun, our Entertainment market solution, and new versions of Nexus, our flagship Life Sciences software.

We also updated our iPhone/iPad app, Capture.U, several times during the year. This innovative app uses both Apple's iOS skeletal tracking, now enhanced with the LIDAR sensors on-board the Pro versions of the iPad and iPhone, and our own Blue Trident Inertial Measurement Units. The app enables researchers to see human skeletal movement and inertial measurements overlaid on live video in real-time. This enables a low-cost entry point for physiotherapists and sports scientists to use Vicon technology to analyse motion in a highly portable, intuitive manner.

These new capabilities combined with Vicon's clear market differentiation helped win deals around the world. This included an especially strong performance in the Asia Pacific region with wins at Tencent, Konami and ASICS.

### Adjacent Markets – developing new growth vectors

In addition to growing our Established Market business, we also seek further growth by applying our technology to newer markets which offer higher levels of potential growth. We are focussed on two specific opportunities: LBVR and Elite Sports.

LBVR revenue of £1.7m (FY19: £1.8m) was recorded with the planned rollouts by our partners slowing as a result of COVID-19. That said, we signed four new partners over the full course of the year, and existing partner Europa-Park, one of the world's leading theme parks, introduced their very large free-roaming LBVR experience aimed at the theme park market. Furthermore, partners also found there is interest in the enterprise market for their collective VR experiences, where we fulfilled a number of orders for this broader enterprise market.

Our elite sports offering, IMU Step, made progress during the year. Prior to lockdown and the suspension of virtually all elite sports, we won new teams in the NBA, NFL, MLB, NRL and AFL as well as with a number of collegiate athletic and health science programmes including at the University of Kentucky and the University of Montana. We also engaged in a number of exploratory partnership programmes which would see our technology embedded in others' sports solutions. Since the gradual return of elite sports, we have seen some degree of life returning to the market, and we have also identified new markets for our solution in orthopaedic rehabilitation and military performance management, which we are now pursuing.

### **CURRENT TRADING AND OUTLOOK**

Both businesses have started the new financial year well, however the COVID-19 pandemic is on-going, so uncertainty remains which continues to affect certain end-markets.

Vicon's current sales pipeline includes a rollover of opportunity from FY20 into FY21 that is expected to benefit future quarters. The timing and recognition of these potential orders is taking longer than normal as customers adapt purchasing plans to suit their own financial and operational circumstances. In the immediate short-term our sales pipeline for Q1 is comparable overall with this time last year (pre-COVID). This combined with longer term sales pipeline data suggests recovery is underway in our Rest-of-World markets but for the time being the USA remains subdued.

Yotta has a strong ARR sales pipeline for the full year, consistent with adding at least another £1.0m gross additions to ARR during the financial year. With this anticipated growth in ARR and a stable cost base, Yotta can look forward to a full year of profitability.

We operate two market-leading divisions in expanding global markets with highly differentiated software products and clear strategies to continue to drive progress - amplifying our core. We will continue to both invest in our organic growth and explore acquisition opportunities, which together can accelerate our strategies within our chosen markets.

Returning to the three themes of 2020, we enter FY21 a resilient Group with two fundamentally strong and profitable businesses, both of which are seeing an acceleration in favourable market dynamics. This platform together with our robust Balance Sheet mean we feel confident in our ability to adapt, innovate and navigate any further challenges that may arise whilst driving organic and inorganic growth.

## FINANCIAL REVIEW

David Deacon, CFO

### INCOME STATEMENT

The Group reported revenue of £30.3m (FY19: £35.3m) representing a headline decline of 14.3%, and on a constant FX basis the decline was 13.9%. The segmental revenue analysis illustrates that all market segments were affected and from a geographic standpoint, the USA market suffered more than most, down £5.0m compared with last year.

Gross Profit margin reduced slightly to 69.0% (FY19: 71.2%), reflecting a slight change in the mix of revenue. Gross Profit declined year on year by £4.3m to £20.9m.

Reviewing the cost base within the Income Statement:

- Sales, Support and Marketing costs decreased by £1.3m which was largely due to marketing and operational savings arising from COVID-19 lockdowns and subsequent virtual operations for the remainder of the financial year, as well as lower sales commissions.
- Research & Development expensed through the Income Statement was £4.2m (FY19: £4.2m). Total R&D including capitalised development costs of £2.5m (FY19: £2.2m) was £6.7m (FY19: £6.4m), the overall increase was due to the R&D amortisation and impairment charge of £1.8m (FY19: £1.6m). The continual investment and innovation in product and services is necessary to maintain the Group's competitive position and a number of the new products and services released during the financial year and described in the CEO review are already gaining traction in the market.
- Administration expenses were largely unchanged overall.

Adjusted PBT\* of £2.6m (FY19: £5.5m) has been determined after adding back to the Statutory PBT £1.6m (FY19: £4.7m) non-cash moving items such as amortisation of acquired intangibles, share option charge, impairment of investment in Pimloc, adjustment to fair value of deferred consideration payable for IMeasureU Limited and non-recurring exceptional items which this year included aborted M&A costs of £0.2m. A full reconciliation is available in note 7.

### STATEMENT OF FINANCIAL POSITION

#### *Goodwill and intangibles*

The modest increase in goodwill and intangibles represents the net effect of capitalised R&D of £2.5m (FY19: £2.2m), amortisation and impairment of development costs £1.8m (FY19: £1.6m) and the amortisation of acquired intangibles of £0.6m (FY19: £0.6m).

#### *Property, plant and equipment*

The decline arose due to the net effect of capital expenditure of £0.3m (FY19: £0.5m) and a depreciation charge of £0.6m (FY19: £0.6m).

#### *Right of use assets*

The Group has now adopted IFRS16. The balance reported of £2.2m (FY19: £0.0m) represents the value of property and assets utilised by the Group.

#### *Investments*

The year-on-year movement relates to an investment of £0.2m for a minority interest in Trensl Inc. which provides training VR solutions for the military and healthcare (rehabilitation). The investment comes back-to-back with an exclusive Supply Agreement to provide all systems. The year on year movement also includes the impairment of our investment in Pimloc Limited being our share of post-acquisition losses from Pimloc's trading.

#### *Inventories*

The inventory position at the end of the financial year was £3.4m (FY19: £3.2m).

#### *Trade and other receivables*

At the year-end trade and other receivables decreased to £9.2m (FY19: £11.7m). The overall decrease is largely due to accounts receivable that was lower compared to a particularly strong September 2019 revenue in the USA.



#### *Current liabilities*

The year-on-year decline in trade and other payables is accounted for by a decrease in trade payables at the year-end to £2.0m (FY19: £2.9m) which relates to the shipment of goods in September 2019 being greater than September 2020.

The lease liabilities balance reported of £0.4m (FY19: £0.0m) represents the value of lease payments due within one year relating to right of use assets given the adoption of IFRS16.

#### *Non-current liabilities*

The lease liabilities balance reported of £1.9m (FY19: £0.0m) represents the value of lease payments due greater than one year relating to right of use assets given the adoption of IFRS16.

### **STATEMENT OF CASHFLOWS**

The Group finished the year with cash of £14.9m (FY19: £13.8m).

Cash generated from operating activities was £6.4m (FY19: £7.7m) which included a working capital inflow arising from a reduction in accounts receivables of £2.2m. The deployment of this cash included continued investment in development giving rise to a purchase of intangibles of £2.5m (FY19: 2.2m) and payment of dividends of £2.3m (FY19: £3.1m).

### **TAX**

The Group tax charge this year was £0.0m (FY19: £0.5m). This decrease for the most part is due to the recognition of tax losses that can be Group relieved in the future. The level of Group R&D activities in the UK where the marginal rate of tax is 19% (FY19: 19%) continues to have a beneficial effect on the level of corporation tax payable in the UK given the reliefs available.

The deferred tax asset increased to £1.0m (FY19: £0.4m) due to the aforementioned recognition of losses whilst the deferred tax liability increased slightly to £2.0m (FY19: £1.8m) due to a change of deferred taxation rates.

### **KEY PERFORMANCE INDICATORS**

The Group relies on financial key performance indicators including revenue, profit before tax, adjusted profit before tax (see note 7) and cash generation to measure the performance of the Group described below. The Group does not use non-financial key performance indicators to measure performance.

### **PRINCIPAL RISKS AND UNCERTAINTIES**

The management of the business and the execution of the Group's strategy are subject to a number of risks. The Group monitors these risks on a continual basis through the use of a risk register and through market intelligence provided by operational management and determines mitigation plans and actions accordingly. During the financial year under review the risk profile of the Group has not changed significantly. The key business risks affecting the Group's ability to deliver on its strategic objectives are set out below:

#### *Product and technology risk*

The Group operates in a complex and competitive technological environment. The business requires continual investment and innovation in its products and services to maintain its competitive position. In order to mitigate this risk the business has invested in product marketing with the objective of focusing research and development with specific measurable aims and goals to meet market needs. The business coordinates each development project with Board monitoring and project management principles in order to mitigate the length of time that products take to enter the market.

#### *Suppliers*

The Group sources certain product components which are only available from a small number of specialist suppliers. Disruption to the supply chain could have an adverse effect on the business. Where possible, such risks are mitigated by ensuring ownership of design and intellectual property and maintaining appropriate inventory levels.

#### *Employee retention*

The Group's performance depends largely on its skilled staff. The loss of key individuals and the inability to recruit individuals with the right experience and skills could adversely impact the Group's results. To mitigate these matters, the Group aims to have appropriate management structures and provide competitive remuneration, including share options and where possible provide continuing career development for key personnel. The Group's culture, values and behaviours create an environment that respects and values staff, making Oxford Metrics an attractive and inclusive place to work.

### *Market*

The Group operates in multiple geographical markets, with the US being a significant market, so there is a risk that territory and global macro-economic conditions may result in one or more of these markets being adversely affected and the revenues of the business impacted accordingly. However, by virtue of selling in multiple geographical markets the impact of localised economic downturn in one or a number of markets is minimised.

The Group operates in multiple service and product segments with specific risks and uncertainties including:

- **Vicon Group**

Vicon operates in three distinct areas described below. In mitigation of the risks identified Vicon operates in multiple geographies, through well-established key distributors, who provide insight into local markets and an effective defence against competitive activity. Disruption to Vicon's relationship with these key distributors would have an adverse effect on the business. However, Vicon has a well-established and respected brand and through continual innovation maintains a competitive advantage over the competition.

**Life Sciences** – Our customers are primarily Medical and Educational Institutions funded largely, but not exclusively, by Government which are subject to National budgetary decisions although in many markets these areas of spend are protected to some extent.

**Engineering** – The majority of our customers are largely commercial organisations whose investment decisions are determined by general macro-economic conditions in their markets so revenues can be affected accordingly. The remaining customers tend to be higher education research establishments whose funding is ultimately controlled by National Budgetary decisions.

**Entertainment** – Our customers are commercial organisations who produce content for the Film, TV and Video Game market place. Spending in this market tends to be erratic and ultimately driven by consumer demand for content which by virtue of this market place cannot always be guaranteed.

- **Yotta Group**

**Infrastructure (including Highways, Street works and Street lighting)** – The majority of our customers are ultimately funded by the UK Government so spending is subject to National Budgetary decisions and priorities. In mitigation, the business secures long-term service contracts and recurring annual support contracts whenever possible.

### *Financial*

The business has outlined its principal financial risks in note 20 to the accounts. These are broadly summarised as foreign currency and credit risks. Typically, a third of the Group's revenues are generated from its US subsidiaries in US dollars, together with some overseas territories which purchase in US dollars and Euros. Changes in exchange rate could have an adverse effect on revenues and profitability of the Group. Where possible the Group aims to mitigate this by making purchases and engaging personnel in local markets.

### *Non-Financial*

The business continually assesses its exposure to non-financial risks. These are broadly summarised as competition, reputation and product related risks. The Board is cognisant of this information when determining business strategy.

### *COVID-19*

The COVID-19 pandemic is on-going and uncertainty exists regarding the timing and success of a vaccine that would facilitate a return to normal trading conditions. In the immediate future this risk may continue to disrupt demand and our customers' ability to take delivery of our products and services. In mitigation, the Group have adapted working practices to ensure the safe continuation of manufacturing and the delivery of services through remote methods to fulfil demand.

### *Brexit*

Since the decision by the UK to leave the European Union the depreciation of Sterling has had an impact on the cost of goods imported. In order to mitigate this risk the supply chain is being actively managed and inventory levels increased. It is uncertain whether tariffs will be applied to goods exported from the UK into the European Union and the Board are developing plans to minimise any potential impact.

## Section 172 Statement

### Board engagement with our stakeholders

Section 172 of the Companies Act 2006 requires a director of a Company to act in the way he or she considers, in good faith, would be most likely to promote the success of the Company for the benefit of its shareholders as a whole. In doing this, section 172 requires a director to have regard, among other matters, to: the likely consequences of any decision in the long-term; the interests of the Company's employees; the need to foster the Company's business relationships with customer and suppliers; the impact of the Company's operations on the community and the environment; the desirability of the Company maintaining a reputation for high standards of business conduct; and the need to act fairly with shareholders of the Company.

During the year directors considered the factors set out above in discharging their duties under section 172. The stakeholders we considered in this regard are the people who work for us, buy from us, supply to us, own us, regulate us as well as the wider community and environment. The Board recognise that building strong relationships with our stakeholders will help us deliver our strategy in line with our long-term values and operate the business in a sustainable way.

During the year the Board regularly received reports from Executive Management on issues concerning employees, customers, suppliers, investors and on wider issues concerning the environment, communities, regulators and governments to the extent appropriate, which it took into account in its decision-making process under section 172 in relation to risks and uncertainties described in the Strategic Report on page 8. In addition to this, the Board sought to understand the interests and views of the Group's stakeholders by engaging with them directly as follows.

- The Board received employee updates from Executive Management using various metrics and feedback tools including performance appraisals and training needs and engaged with employees in two-way meetings to ensure that employees were kept well-informed about the business and in particular this year our response to the COVID-19 pandemic to ensure that we remained a trusted and safe employer.
- The Board regularly received updates on feedback from investors from the Chairman, CEO and CFO who met frequently with institutional investors to discuss and provide updates about – and seek feedback on – the business, strategy, long-term financial performance, directors' remuneration policy and dividend policy to the extent appropriate. Members of the Board also met Shareholders at the AGM.
- Through professional services and support functions who engage directly with customers through on-site and remote meetings the Executive Team continued to foster good customer engagement and receive valuable feedback to ensure customer satisfaction and retention.
- Through professional Supply Chain Management who engage directly with suppliers through on-site and remote meetings, the Executive Team ensured the interests of suppliers were regularly considered and provided demand forecasts where appropriate.
- Throughout the year, the Board continued to oversee the management and operation of worldwide business activities in conformity with applicable laws and regulations whilst maintaining the Company's reputation for integrity and fairness in business dealings with third parties.

Aware of the interests of all stakeholders the directors were focussed on developing annual recurring revenues across the Group whilst leveraging the core IP across the business during the year. The directors continued to evaluate numerous merger and acquisition opportunities that would support growth and amplify the effectiveness of the existing operations of the Group. The Board believe that no particular stakeholder was disadvantaged as a result of decisions taken during the year and were consistent with protecting the long-term interest of stakeholders whilst promoting the long-term success of the business for the benefit of shareholders.

For further details of how the Board operated and the way in which decisions were made, including key activities during the financial year ended 30 September 2020 and Board governance, see pages 14 to 17 and the Board Committee reports thereafter.

### On behalf of the Board

#### Nick Bolton

Chief Executive and Director

2 December 2020

## REPORT OF THE DIRECTORS

The directors present their report together with the audited consolidated and parent Company financial statements for the year ended 30 September 2020.

### Business review

Oxford Metrics plc is a holding Company. The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 3 to 10. Its subsidiary undertakings are shown in note 16. The Strategic Report includes details of the market overview; key growth drivers; our business model; strategic objectives; principal risks and uncertainties; key performance indicators and a summary of 2019/20 performance.

### Likely future developments

The Group's likely future developments are discussed within the Strategic Report on page 3.

### Share capital

The Company has one class of ordinary shares which carry no right to a fixed income. Full details of changes in share capital during the year are shown in note 24 to the financial statements. Details of employee share options are set out in note 25.

### Dividends

The directors are proposing a final dividend in respect of the financial year ended 30 September 2020 of 1.80 pence per share which will absorb an estimated £2,263,000 of shareholders' funds. This dividend, if approved, will be paid on 5 March 2021 to shareholders on the register of members at close of business on 11 December 2020.

### Research and development

During the year, the Group's continuing operations expensed £4,213,000 (2019: £4,184,000) in research costs. In addition, £2,511,000 (2019: £2,196,000) of development costs were capitalised.

Research and development costs are principally the costs of employees involved in research and development, together with related equipment and materials for hardware development and external costs. Further information regarding the nature and value to the Group of this expenditure is explained in the Strategic Report.

### Directors and their interests

The interests of the directors in the shares of the Company and their interest in options over the shares of the Company at 30 September 2020 are disclosed in the Report on Directors' Remuneration.

The directors who served during the year were as follows:

Roger Parry  
Jonathon Reeve (retired 31 January 2020)  
Adrian Carey  
David Quantrell  
Naomi Climer (appointed 20 November 2019)  
Nick Bolton  
David Deacon  
Catherine Robertson

At the Annual General Meeting of the Company, Nick Bolton, Adrian Carey and David Deacon representing one third of the Board, will retire and, being eligible, offer themselves for re-election.

### Financial instruments

Information about the Group's management of financial risk can be found in note 20 of the financial statements.

### **Directors' indemnity insurance**

The directors confirm that qualifying third party indemnity provisions are held.

### **Employees**

The Group ensures that all employees are kept informed, as far as is practical, with regard to the activities of the Group. This is achieved through the use of staff briefings and electronic communications. It is the Group's aim that recruitment and development of staff should be determined solely on ability and other relevant requirements of the job. Disabled persons and those who become disabled are given the same consideration as others and, depending on their skills, will enjoy the same prospects as other staff.

The Group considers all forms of discrimination to be unacceptable in the workplace and is committed to promoting equality of opportunity for all staff and job applicants. This includes in job advertisements, recruitment and selection, training and development, opportunities for promotion, conditions of service, pay and benefits, conduct at work, disciplinary and grievance procedures, and termination of employment.

The Group's policies on health and safety are continually under review, ensuring that current practices comply with the laws applicable in the countries in which it operates.

### **Going concern**

In determining the appropriate basis of preparation of the financial statements, the directors are required to consider whether the Group can continue in operational existence for the foreseeable future.

In the early months of 2020, a global pandemic had broken out causing governments around the world to impose various restrictions on economies and human populations. The going concern review considered the potential impact of the pandemic on the following key areas:

#### *Market considerations*

The Group's primary markets are life sciences, entertainment, engineering, elite sports and local government asset management. The directors have assessed the impact of COVID-19 on these markets and consider that they have largely continued to operate through the pandemic. The Group has continued to trade through this period and continue to see opportunities for growth in its key markets despite the pandemic.

#### *Operational readiness*

The manufacturing facilities have remained operational with the Company implementing government advice in 'social distancing' and other measures, including the introduction of a two-shift pattern to reduce the risk of transmission. The Group has also successfully transitioned the non-manufacturing roles to remote working during this period. As well as maintaining our operational readiness from an internal perspective, the Group has not been significantly impacted by any supply chain issues during the pandemic.

#### *Financial considerations*

The Company has no external financing and as at the balance sheet date had cash balances of £14.9 million. The financial strength of the Group allowed it to trade through the lockdowns in a relatively strong position.

#### *Stress testing*

Continued uncertainty around the scale, timing and impact of COVID-19 means that forecasting the impact with any degree of accuracy is difficult. The directors have therefore performed stress testing to model a significant level of sales decline to assess the impact on cash flow. The results of this analysis is that the directors are confident that the business has sufficient cash liquidity to sustain very significant and prolonged reductions in trading revenue.

#### *Brexit*

As well as the impact of COVID-19 the directors have also considered the impact of Brexit on the ability of the Group to continue as a going concern. Based on our assessment of the potential impact of a no deal Brexit on Tariffs (both on exports and imports) and on the business in terms of our people, the directors have concluded that appropriate mitigation strategies can be put in place and that this will not have a material effect on the Group.

The directors, having prepared cash flow forecasts and given due consideration to the impact of COVID-19 on the Group's markets, operations and financial risk, as well as the expected impact of Brexit, have assessed that there is no material uncertainty with the Group's ability to continue operating as a going concern for a period in excess of 12 months from the date of signing the financial statements. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

### **Statement on disclosure of information to auditors**

So far as each director is aware, there is no relevant audit information of which the Group's auditors are unaware. Relevant information is defined as "information needed by the Group's auditors in connection with preparing their report".

Each director has taken all the steps (such as making enquiries of other directors and the auditors and any other steps required by the director's duty to exercise due care, skill and diligence) that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

### **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 Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

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

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, 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 Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Website publication**

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

### **Auditors**

BDO LLP offer themselves for reappointment as auditors and a resolution will be proposed at the AGM to approve the auditors reappointment.

### **On behalf of the Board**

#### **David Deacon**

Director

2 December 2020

# CORPORATE GOVERNANCE REPORT

## **Directors' statement on corporate governance**

The Board of Directors is accountable to shareholders for the good corporate governance of the Group. In 2018 the Group formally adopted the Quoted Companies Alliance Corporate Governance Code (the QCA Code). The QCA Code aims to apply the key elements of the UK Corporate Governance Code and other relevant governance guidance to the needs of small and medium-sized listed PLCs. Details of how we apply the Code and ensure good governance over the business is now available for all stakeholders to review and understand on our corporate website at [oxfordmetrics.com/code](http://oxfordmetrics.com/code). An extract is provided below.

## **Establish a strategy and business model which promotes long-term value for shareholders**

Our strategy and current five-year plan were launched in December 2016 and set out in the Company's annual report and financial statements. Subsequent annual report and financial statements update shareholders as to how the strategy and plans are progressing. Specifically, the Strategic Report section of the annual report and financial statements covers our business model, our strategy and how we aim to drive long-term value for shareholders.

## **Embed effective risk management, considering both opportunities and threats throughout the organisation**

The Board is responsible for ensuring the Group has effective and sound systems of internal controls, which are designed to manage, but not eliminate, the risk of failure to achieve business objectives and provide reasonable assurances against material misstatements and loss. The day to day management and monitoring of the Group's internal control systems is delegated to the Chief Financial Officer.

### *Risk management and risk register*

The Board has embedded an effective risk management framework to identify, evaluate and manage opportunities and risks, in order to execute the strategy and five-year business plan. The principal risks and uncertainties are discussed in the Strategic Report on page 8. The Chief Financial Officer ensures that the Group's risk management framework and culture are embedded within the business. The executive directors provide assurance to the Board, through the Audit Committee, that risks are appropriately monitored, escalated and managed within the risk appetite of the Board.

The Company's risk register is compiled annually, by non-executive director and Audit Committee member, David Quantrell, with input from senior members of staff from across the Company and presented to the Board to inform its strategy review, and to enable the Board to identify, manage, and mitigate risks.

### *Internal Audits*

The Company has an internal audit function and conducts system audits periodically which include:

- ISO9001:2015 Quality Management Systems Vicon Denver – Annually,
- ISO9001:2015 Quality Management Systems Vicon Yarnton – 5 times per year,
- ISO13485:2016 Medical Quality Management Systems Vicon Yarnton – 5 times per year,
- 93/42/EEC as amended Medical Devices Directive Production Quality Vicon Yarnton,
- ISO9001:2015 Quality Management Systems Yotta – 4 times per year,
- ISO14001:2015 Environmental Management Systems Yotta – 4 times per year,
- ISO27001:2013 Information Security Management Systems Yotta – 4 times per year,
- Information Asset Penetration Testing – Internal 12 days per year and external 7 days per year,
- RAPID7 and Business Continuity Exercises.

### **Maintain the Board as a well-functioning, balanced team led by the Chair**

There are three executive, and four non-executive Board members. All non-executive Board members are considered independent. The Board operates formally through meetings of the full Board, and informally through regular contact between directors. Matters reserved for the Board include investor relations, strategy, review and approval of budgets and forecasts, financial performance and reporting, dividends, risk management, major capital expenditure, and mergers, acquisitions and disposals.

The Board is kept informed outside its formal meetings by monthly reports from the Chief Executive that include information on the Company's financial and operational performance. The Board agenda and information relating to the agenda are sent to Board members before all formal Board meetings. Board minutes are circulated to all members within 7 days of each Board meeting.

The Board meets formally six times a year. No director has been absent from a Board meeting during the 12 months from 1st October 2019 to 30th September 2020.

Non-executive directors are expected to devote as much time as is necessary for the proper performance of their duties, at a minimum, 15 days per year or more if serving on a committee. Executive directors are full-time employees and expected to devote as much time as is necessary for the proper performance of their duties, there is no specific time commitment.

### **Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities**

Directors' biographies are summarised below and are available on the corporate website.

#### *Roger Parry – Chairman*

Roger joined the Board in June 2016 with an extensive career in the media sector. Currently Chairman of YouGov plc, Mobile Streams plc plus a number of private companies. He has held a variety of Chairman roles including Johnston Press plc, Future plc and Shakespeare's Globe. Previously he was CEO of Clear Channel International and More Group plc and spent three years with McKinsey, the international consulting firm and prior to that was a TV and radio journalist with the BBC and ITV.

#### *Adrian Carey – Non-executive Director, Senior Independent Director, Chair of Audit Committee and member of Remuneration Committee*

Adrian joined the Board in November 2012 with almost 30 years of boardroom experience in technology, legal and educational service sectors. He has been Chairman and Non-executive director to a number of listed, PE and venture backed businesses. He is currently a Non-executive director of Blacktrace Holdings Ltd and Chairman of the charity OXPIP. In his earlier career he held a number of other NED positions and was CEO for three companies over 17 years.

#### *David Quantrell – Non-executive Director, member of Audit Committee and Remuneration Committee*

David joined the Board in June 2018 with more than 30 years of senior management experience across a range of high growth global software businesses including HP, Mercury Interactive and McAfee. Most recently he was Senior Vice President and a member of the Global Management Team at Box, the cloud storage company, where he helped to establish the brand in Europe in a period where the Company experienced dramatic growth and a successful IPO.

#### *Naomi Climer – Non-executive Director, Chair of Remuneration Committee and member of Audit Committee*

On 20 November 2019, we appointed Naomi Climer to replace Jonathon Reeve as Chair of the Remuneration Committee. Naomi has had a successful executive career in broadcast, media and the communications technology sectors with the BBC, ITV Digital and Sony. Naomi is currently a Non-Executive Board Member at Sony UK Technology Centre, a Non-Executive Director at Focusrite plc, Chair at the International Broadcasting Convention Council (an advisory body), Trustee and Vice President at the Royal Academy of Engineering, Co-chair at the Institute for the Future of Work and a Member of the Science and Technology Awards Committee.

#### *Nick Bolton – Chief Executive Officer*

Nick joined Oxford Metrics Ltd (pre-IPO OMG) in 1995 and spent four years establishing the Company's motion capture products in the entertainment market. In 1999, he left to pursue a series of successful product management and marketing roles within international technology businesses, including Micromuse and start-up Lexicle. In 2002, he joined AIM-listed Mediasurface, with responsibility for all the company's marketing activities and in 2005, returned to join the Oxford Metrics management team and was subsequently appointed CEO.

#### *David Deacon – Chief Financial Officer*

David joined Oxford Metrics in 2008 as Chief Financial Officer. Before joining he was CFO of AIM listed Mediasurface for five years where he successfully floated the business in 2004 and concluded the disposal of the business in 2008 to Alterian plc. Prior to this he held senior financial positions with R.L Polk & Co, Wonderware Inc. and Kalamazoo Computer Group plc.



*Cathy Robertson – Executive Director and Company Secretary*

Cathy joined Oxford Metrics in 1985 and was Financial Controller for 10 years. She has over 30 years' experience in law, finance, and administration. Prior to joining the Group she began her career with the UK subsidiary of a US company, working with the founders to establish a thriving electronics business.

Directors are able at the Company's expense to seek independent professional advice as required to support their role either as a member of a Board committee or for any matter within the terms of reference of the Board. A list of the Company's external advisors is available on page 68.

A formal evaluation of the performance of the directors is conducted annually and the directors are able to seek independent training and development as required to support their roles.

The Audit Committee works with the Company's auditor BDO LLP. During the year the Company Secretary was supported by N+1 Singer, Oxford Metrics plc's Nominated Advisor, and Goodman Derrick LLP. Numis Securities Ltd were appointed Nominated Advisor and Sole Broker with effect from 13 November 2020.

The Remuneration Committee is supported by PwC and Mercer Kepler on matters falling under its terms of reference, and the Company Secretary. The Company Secretary advises the Board on a range of regulatory and compliance matters.

**Evaluate board performance based on clear and relevant objectives, seeking continuous improvement**

An overview of directors' responsibilities can be found within the Report of the Directors' on page 13.

The Chief Executive's objectives are set by the Chair and the Remuneration Committee in consultation with other non-executive Board members, and the objectives of the executive directors are set by the Chair and the Remuneration Committee in consultation with the Chief Executive. The Board has an annual effectiveness review cycle consisting of reviews of the performance of executive members of the Board by the Non-executive Board members, and a review of the Chairman's performance by all other non-executive and executive directors. The reviews conducted during the year concluded that the Chairman and executive directors continue to contribute effectively to the Board.

The Board reviews its performance against its objectives to provide entrepreneurial leadership of the Company within a framework of prudent and effective controls, set the Company's strategic aims and ensure the necessary resources are in place to meet these aims, to provide effective leadership to ensure the Company's values and standards are upheld, and to fulfil its obligations to shareholders and stakeholders.

Non-executive directors are expected to devote as much time as is necessary for the proper performance of their duties, at a minimum, 15 days per year or more if serving on a committee. This will include attendance at a minimum of six Board meetings, the AGM, at least one annual Board away day a year, at least one site visit a year, meetings of the non-executive directors, meetings with shareholders, meetings forming part of the Board evaluation process and updating and training meetings.

The Board keeps the issue of Board effectiveness under continual review and will continue to consider best practice in matters relating to Board effectiveness, consistent with the size, range of activities, and stage of development of the Company. Succession plans for all members of the Company's Board and senior managerial roles across the Company are in place and are regularly reviewed.

**Promote a corporate culture that is based on ethical values and behaviours**

The Board is committed to promoting a socially responsible culture throughout the Company and encouraging high ethical standards in all its activities. The Company's culture is communicated to the employees through engagement at Company meetings and by other means, and employees are expected to exercise high ethical and moral standards at all times in their dealings with the Company's stakeholders. The Board monitor and promote this corporate culture by engaging in open feedback with employees.

The Company has an anti-bribery policy and is committed to the elimination of modern slavery and human trafficking in its supply chain.

The Board sets clear expectations regarding the Group's culture, values and behaviours. We believe that it is vital that the Board and our employees behave in a way that reflects the underlying values of the business.

The Company's recruitment and employment policies are under continual review in order to maintain high ethical standards and best practice, and to provide a working environment in which its employees are able to realise their potential and contribute to the business. Applications are given full and fair consideration irrespective of nationality, ethnic origin, religion, disability, sexual orientation, age, marital or civil partnership status or gender identity. The Company is committed to providing for the health and safety of its employees and visitors to its premises through use of best practice and regular audits of the Company's health and safety policy and practices by external consultants.

**Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders**

The Company holds an Annual General Meeting annually in February. Agendas for General Meetings for the last 5 financial years are available on the corporate website. There have been no resolutions put to a General Meeting that have resulted in less than 80% of the votes cast in favour of the resolution in the last 5 years. The Company's historic annual reports are also available on the website.

This annual report and financial statements are available on the website and hard copies are distributed to all shareholders.

The Board consider that information available in these and previous annual report and financial statements together with the corporate website provide sufficient information with regard to the reporting of the Audit Committee and Remuneration Committee activity. The Board will continue to review the disclosures of the Audit and Remuneration Committees.

As well as the Company's general meeting with shareholders, the Chief Executive and Chief Financial Officer give formal presentations to significant shareholders twice each year and have primary responsibility for communicating the views of these shareholders to the Board. The Chairman has also had an occasional meeting with shareholders and financial advisors.

The Board does not currently recognise any constraints or circumstances that affect the Company uniquely.

The Remuneration Committee members are Naomi Climer (Chair), David Quantrell and Adrian Carey who meet formally on at least two occasions annually. No director has been absent from a committee meeting. The terms of reference of the Remuneration Committee is available on page 15 of the Company's Admission Document. Full information on the Remuneration Committee and its policies are discussed in the Report on Directors' Remuneration on page 19.

The Board acts as a whole as the Nominations Committee and meets when a new director needs to be appointed. Appointments to the Board are made by consultation with, and the agreement of, the whole Board. Suitable candidates are sought through external senior recruitment consultants.

## AUDIT COMMITTEE REPORT

The Audit Committee members are Adrian Carey (Chair), Naomi Climer and David Quantrell, who meet formally on at least two occasions annually. Jonathon Reeve resigned during the year. No director has been absent from a committee meeting. The terms of reference of the Audit Committee is available on page 15 of the Company's Admission Document. The Committee has a calendar of events agreed each year and senior managers and the external auditors (BDO LLP) may attend meetings at the request of the Committee.

The key responsibilities of the Audit Committee are:

- monitoring the integrity of the financial statements, including approving any material changes in accounting policy, reviewing the financial statements, and any market announcements relating to the Group's financial performance;
- reviewing the integrity of internal financial controls, risk management systems and codes of corporate conduct and ethics;
- making recommendations to the Board regarding the engagement of external auditors.

During the year, the topics subject to Committee discussion at formal scheduled Committee meetings included:

- review of the risk register, assessing how each risk identified is being monitored and ensuring the process of how these risks are being actively managed is in place;
- receipt and consideration of reports from the external auditors regarding the scope and findings of their audit of the annual report;
- recommendation of the annual report and half-year report to the Board for approval, together with the management representation letter and audit fees;
- review of audit and non-audit related fees paid to the external auditors and monitoring the independence of the external auditors; and
- review and consideration of accounting treatment policy changes in line with industry practice, as recommended by external auditors.

To ensure the objectivity and independence of the external auditors, any service provided by the external auditors must be approved in accordance with the Group's policy on auditor independence and the provision of non-audit services, which is consistent with the UK Auditing Practices Board's Ethical Standards for Auditors.

The external auditor is only selected to provide non-audit services if they are well placed to provide the required service at a competitive cost and the Committee is satisfied that the assignment will not impair their objectivity. In accordance with relevant professional standards, the external auditors have confirmed their independence as auditors in a letter to the directors. Details of fees paid to the external auditors for both audit and non-audit services are given in note 6 to the financial statements.

**By order of the Audit Committee**

**Adrian Carey**  
Chair

## REPORT ON DIRECTORS' REMUNERATION

The Directors' Remuneration Report Regulations are not a requirement for AIM listed companies. However, set out below are certain disclosures relating to directors' remuneration.

### Remuneration Committee

The Remuneration Committee is made up of three non-executive directors. The terms of reference of the Committee are to review and make recommendations to the Board regarding the terms and conditions of employment of the executive directors.

### Service agreements

No director has a service agreement with a notice period that exceeds 12 months.

### Policy on directors' remuneration

Remuneration is set by comparison to market rates at levels to attract, retain and motivate the best staff, recognising that they are key to the ongoing success of the business. The Group's remuneration policy aims to:

- provide market competitive total compensation;
- differentiate on merit and performance;
- emphasise variable performance driven remuneration;
- align senior management with shareholders' interests;
- deliver a clear, transparent and fair process;
- provide an appropriate degree of alignment between executive remuneration and the remuneration policies that apply to the wider workforce; and
- reinforce the Group's culture and values.

### Directors' remuneration

The remuneration of directors who served during the year, excluding share option charges, was as follows:

|  | Salary<br>£'000 | Bonus<br>£'000 | Benefits<br>in kind<br>£'000 | 2020<br>Total<br>£'000 | 2020<br>Pension<br>contributions<br>£'000 | 2019<br>Total<br>£'000 | 2019<br>Pension<br>contributions<br>£'000 |
|--|-----------------|----------------|------------------------------|------------------------|---|------------------------|---|
| R Parry (Chairman)*                            | 65              | -              | -                            | 65                     | -   | 65                     | -   |
| J Reeve (Non Executive Director)               | 12              | -              | -                            | 12                     | -   | 37                     | -   |
| A Carey (Non Executive Director)               | 37              | -              | -                            | 37                     | -   | 76                     | -   |
| D Quantrell (Non Executive Director)           | 32              | -              | -                            | 32                     | -   | 32                     | -   |
| N Climer (Non Executive Director)              | 24              | -              | -                            | 24                     | -   | -                      | -   |
| N Bolton (Chief Executive Officer)             | 297             | 97             | 1                            | 395                    | -   | 305                    | -   |
| C Robertson (Secretary and Executive Director) | 133             | 26             | 2                            | 161                    | 19  | 150                    | 18  |
| D Deacon (Chief Financial Officer)             | 226             | 66             | 1                            | 293                    | -   | 255                    | -   |
|  | 826             | 189            | 4                            | 1,019                  | 19  | 920                    | 18  |

\* Roger Parry's remuneration includes £25,000 (2019: £25,000) of shares issued in satisfaction of salary, see note 24.

### Directors' share options

Interests in share options for directors who served during the year were as follows:

|             | Exercise price | At 30 September<br>2020<br>Number | At 1 October<br>2019<br>Number | Exercise period                |
|-------------|----------------|-----------------------------------|--------------------------------|--------------------------------|
| C Robertson | 59.06p         | 400,000                           | 400,000                        | September 2019 to July 2027    |
| N Bolton    | 0.00p          | 1,200,000                         | 1,200,000                      | December 2019 to December 2026 |
| D Deacon    | 0.00p          | 600,000                           | 600,000                        | December 2019 to December 2026 |
|             |                | 2,200,000                         | 2,200,000                      |                                |

The vesting of options takes place proportionally over time which is typically a period of three years. The vesting of options is not subject to any performance criteria, other than remaining in employment.

The average share price for the year was 93.41 pence (2019: 84.21 pence) and the closing share price was 82.50 pence (2019: 89.00 pence).

#### Directors' interests

The directors who held office at the end of the financial year had the following beneficial interests in the ordinary share capital of Oxford Metrics plc at 30 September 2020 and at 1 October 2019 according to the register of directors' interests.

|             | Ordinary shares<br>of 0.25p |                | Percentage of issued<br>share capital |           |
|-------------|-----------------------------|----------------|---------------------------------------|-----------|
|             | 2020<br>Number              | 2019<br>Number | 2020<br>%                             | 2019<br>% |
| R Parry     | 257,803                     | 229,554        | 0.21                                  | 0.18      |
| N Climer    | -                           | -              | -                                     | -         |
| A Carey     | 278,111                     | 278,059        | 0.22                                  | 0.22      |
| D Quantrell | 50,000                      | 50,000         | 0.04                                  | 0.04      |
| C Robertson | 1,439,201                   | 1,439,201      | 1.14                                  | 1.15      |
| N Bolton    | 2,383,565                   | 2,383,565      | 1.90                                  | 1.90      |
| D Deacon    | 1,146,821                   | 1,146,821      | 0.91                                  | 0.92      |

By order of the Remuneration Committee

**Naomi Climer**  
Chair

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OXFORD METRICS PLC

## Opinion

We have audited the financial statements of Oxford Metrics plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 30 September 2020 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, Statements of Financial Position for the Group and Parent Company, Statements of Cashflows for the Group and Parent Company, Statements of Changes in Equity for the Group and Parent Company and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 September 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements 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 Group and the Parent 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 as applied to listed entities, 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.

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We set out below the risks that had the greatest impact on our audit strategy and scope:

**Revenue recognition**

| <b>Key Audit Matter</b>   | <b>Response</b>  |
|---|--|
| <p>The Group's revenue recognition policies are included with the accounting policies on pages 32 and 33 and the components of revenue are set out in note 4.</p>   | <p>We reviewed the revenue recognition policies applied to each of the Group's revenue streams and considered their compliance with IFRS 15 'Revenue from Contracts with Customers'. Our work included review and challenge of management's identification of performance obligations, transaction price allocation and assessment of compliance through review of a sample of contracts.</p>                          |
| <p>The Group's revenue is a key performance indicator for the market upon which the results of the Group will be assessed.</p>  | <p>We tested a sample of revenue transactions for each material income stream to verify that revenue was accurately recorded within the accounting system in the correct accounting period. The testing was performed through agreement to evidence of work performed, and recalculation of revenue recognition based on the identified performance obligations and allocation of discounts and standalone prices.</p> |
| <p>Management exercises judgement in recognising revenue, including the extent of the impact on deferral of revenue relating to ongoing support and maintenance obligations.</p>  | <p>We tested deferred revenue by re-performing calculations for a sample of deferred balances, and checked that the appropriate revenue deferral for contracts containing multiple performance obligations was made in accordance with the accounting standards. Each included review of underlying contracts and other supporting documentation.</p>  |
| <p>There is a risk that revenue may not be recognised in the correct period with inappropriate cut-off being applied around the year end, or the support and maintenance elements of sales made pre year end not being appropriately deferred.</p>  | <p>A sample of accrued income balances was agreed to supporting documentation such as contracts and evidence of work performed. Where applicable balances were verified to post year end invoices.</p>   |
| <p>This risk of inappropriate deferral arises from the potential that management either do not correctly identify or value (based on the appropriate allocation of the transaction price) the revenue related to future services and therefore do not accurately defer the related revenue.</p> | <p><b>Key observations</b></p> <p>Based on the results of our work we consider that revenue recognised and judgements made are in accordance with the Group's revenue recognition accounting policy and the requirements of IFRS 15.</p>   |

## Development expenditure capitalisation and carrying value

### Key Audit Matter

The Group incurs substantial development costs of which certain amounts are capitalised as intangible assets. The Group's policy is included with the accounting policies on page 34 and the significant judgements are set out in note 3.

Development costs are a significant expense and asset of the Group. Manipulation of those costs capitalised could have a material impact on the profit performance of the Group in the current year and going forward.

Management exercises judgement in consideration of the carrying value of individual projects, including the expected future economic benefits, the allocation of resources and the period over which they anticipate return.

In view of the judgements involved we considered the capitalisation and carrying value of development expenditure to be a key audit matter.

### Response

We reviewed the policies and procedures regarding research and development expenditure, capitalisation of costs, and considered their compliance with the requirements of the accounting standards.

For each significant development project, we:

- substantively agreed a sample of expenditure to third party documentation and timecard records to check that they meet the criteria for capitalisation in accordance with the accounting standards;
- reviewed management's assessment by project and challenged their assumptions at the balance sheet date through discussion with management and comparison to other corroborating evidence; and,
- assessed management's estimate of useful economic life and impairment considerations, by reviewing actual sales achieved and challenging the sales forecasts for each project.

### Key Observations

Based on the results of our work we consider the judgements made by management are reasonable and the accounting is in accordance with the accounting standards.

## Carrying value of goodwill and other recognised intangibles

### Key Audit Matter

The Group's accounting policy for intangible assets is included within the accounting policies on page 34 and the significant judgements are set out in note 3. The components of intangible assets are set out in note 12.

In accordance with accounting standards, at the end of the reporting period, management have assessed whether there is any indication that the above assets may be impaired. No impairment was identified as at the balance sheet date.

Significant judgement is exercised when determining the variables and assumptions used to calculate the values in use of cash generating units ("CGU's"), which were used to determine whether there is any impairment of goodwill and intangible assets (IP and customer relationships).

In view of the judgements involved, we considered that these matters give rise to a key matter.

### Response

We reviewed the policies and procedures regarding the carrying value of goodwill and intangibles and considered their compliance with the requirements of the accounting standards.

For each significant CGU, we:

- critically assessed management's impairment reviews which included discounted cash flow forecasts. We reviewed the detailed forecasts and supporting evidence for management's reviews to substantiate the underlying assumptions including predicted growth rates;
- used our own valuations specialists to consider the appropriateness of discount rates used;
- re-performed management's sensitivity analysis calculations to assess the impact of changes in assumptions on the forecasts.

### Key Observations

Based on the results of our work we considered management's assessment of impairment to be appropriate.



### **Our application of materiality**

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceeded materiality, we use a lower level, "performance materiality", to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

The materiality for the Group financial statements as a whole was set at £280,000 (2019: £320,000). This was determined with reference to the Group's turnover, of which it represents 0.9% (2019: 7% of profit before tax). Turnover was considered the most appropriate measure in assessing performance of the Group for the current year due to the year on year volatility in profit before tax compared to previous financial periods. Performance materiality was set at 70% (2019: 75%) of the Group materiality level, being £196,000 (2019: £240,000).

Where financial information from components was audited separately, component materiality was set for this purpose at lower levels, varying between £100,000 and £250,000.

The materiality for the Parent Company was set at £100,000 (2019: £115,000). This was determined with reference to the Parent Company's loss before tax. Performance materiality was set at 70% (2019: 75%) of Parent Company materiality, being £70,000 (2019: £86,250).

We agreed with the Audit Committee that we would report to the committee all individual audit differences in excess of £8,400 (2019: £16,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

### **An overview of the scope of our audit**

The Group has 12 components 4 of which were considered to be individually significant, being Oxford Metrics Plc (the Parent Company), Vicon Motion Systems Limited, Vicon Motion Systems Inc and Yotta Limited. The Group also has 4 non-significant trading subsidiaries being; Yotta Pty Limited, IMeasureU Limited, IMeasureU Inc, IMeasureU Ltd; 2 non trading subsidiaries and 2 dormant companies.

Full scope audits of the Parent Company, Vicon Motion Systems Limited, Yotta Limited and OMG Life Ltd were performed by the Group audit team.

Vicon Motion Systems Inc is based in Denver, in the United States of America, and as a significant component of the Group, a full scope audit was performed by a US member firm of the BDO International network.

Group level procedures were performed on material balances and transactions by the Group audit team on IMeasureU Ltd and Yotta Pty Limited.

Analytical procedures were performed at Group level by the Group audit team on IMeasureU Inc, IMeasureU Limited and the 2 dormant companies.

The Group audit team was actively involved in directing the audit strategy of the component auditor in Denver. The Group audit team attended the close meeting remotely, reviewed in detail the findings of work performed and considered the impact of these upon the Group audit opinion.

### **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.

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

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

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

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

In the light of the knowledge and understanding of the 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 or the Directors' report.

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

- adequate accounting records have not been kept 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 Statement of Directors' responsibilities set out on page 13, 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: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Simon Brooker (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor  
Reading  
United Kingdom

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

## CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2020

|  | Note     | 2020<br>£'000 | 2019*<br>£'000 |
|--|----------|---------------|----------------|
| Revenue  | 4        | 30,298        | 35,350         |
| Cost of sales  |          | (9,400)       | (10,166)       |
| <b>Gross profit</b>  |          | <b>20,898</b> | <b>25,184</b>  |
| Sales, support and marketing costs   |          | (7,341)       | (8,663)        |
| Research and development costs   |          | (4,213)       | (4,184)        |
| Administrative expenses  |          | (7,813)       | (7,875)        |
| Other operating income   | 6        | 163           | 202            |
| <b>Operating profit</b>  |          | <b>1,694</b>  | <b>4,664</b>   |
| Finance income   |          | 20            | 66             |
| Finance expense  |          | (103)         | (2)            |
| Share of post-tax loss of equity accounted associate   |          | (29)          | (59)           |
| <b>Profit before taxation</b>  |          | <b>1,582</b>  | <b>4,669</b>   |
| Taxation   | 9        | 22            | (504)          |
| Profit from continuing operations  |          | <b>1,604</b>  | <b>4,165</b>   |
| Profit from discontinued operations, net of tax  | 11       | -             | 13             |
| <b>Profit attributable to owners of the parent during the year</b>   | <b>6</b> | <b>1,604</b>  | <b>4,178</b>   |
| <b>Earnings per share for profit on continuing operations attributable to owners of the parent during the year</b> |          |               |                |
| Basic earnings per ordinary share (pence)  | 10       | 1.28p         | 3.33p          |
| Diluted earnings per ordinary share (pence)  | 10       | 1.26p         | 3.24p          |
| <b>Earnings per share for profit on total operations attributable to owners of the parent during the year</b>      |          |               |                |
| Basic earnings per ordinary share (pence)  | 10       | 1.28p         | 3.34p          |
| Diluted earnings per ordinary share (pence)  | 10       | 1.26p         | 3.25p          |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2020

|   | Group<br>2020<br>£'000 | Group<br>2019*<br>£'000 |
|---|------------------------|-------------------------|
| <b>Net profit for the year</b>  | <b>1,604</b>           | <b>4,178</b>            |
| <b>Other comprehensive income</b>   |                        |                         |
| <i>Items that will or may be reclassified to profit or loss</i>                     |                        |                         |
| Exchange differences on retranslation of overseas subsidiaries                      | (353)                  | 271                     |
| <b>Total other comprehensive (expense)/income</b>                                   | <b>(353)</b>           | <b>271</b>              |
| <b>Total comprehensive income for the year attributable to owners of the parent</b> | <b>1,251</b>           | <b>4,449</b>            |

\*The Group has applied IFRS 16 using the modified retrospective approach. Under this method the comparative information is not restated. See note 31.

The notes on pages 31 to 67 are an integral part of these financial statements.

## CONSOLIDATED AND COMPANY STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2020

| COMPANY NUMBER: 3998880  | Note | Group<br>2020<br>£'000 | Group<br>2019*<br>£'000 | Company<br>2020<br>£'000 | Company<br>2019*<br>£'000 |
|--|------|------------------------|-------------------------|--------------------------|---------------------------|
| <b>Non-current assets</b>  |      |                        |                         |                          |                           |
| Goodwill and intangible assets                                   | 12   | 12,551                 | 12,449                  | -                        | -                         |
| Property, plant and equipment                                    | 14   | 1,937                  | 2,280                   | 30                       | 37                        |
| Right of use assets  | 15   | 2,182                  | -                       | -                        | -                         |
| Financial asset - investments                                    | 16   | 305                    | 98                      | 14,802                   | 14,635                    |
| Deferred tax asset   | 21   | 974                    | 405                     | 298                      | 250                       |
|  |      | <b>17,949</b>          | 15,232                  | <b>15,130</b>            | 14,922                    |
| <b>Current assets</b>  |      |                        |                         |                          |                           |
| Inventories  | 17   | 3,439                  | 3,236                   | -                        | -                         |
| Trade and other receivables                                      | 18   | 9,224                  | 11,687                  | 6,173                    | 9,155                     |
| Current tax debtor   |      | 82                     | 177                     | -                        | -                         |
| Cash and cash equivalents  |      | 14,940                 | 13,837                  | 5,049                    | 4,700                     |
|  |      | <b>27,685</b>          | 28,937                  | <b>11,222</b>            | 13,855                    |
| <b>Current liabilities</b>                                       |      |                        |                         |                          |                           |
| Trade and other payables   | 19   | (9,931)                | (10,733)                | (3,078)                  | (5,921)                   |
| Lease liabilities  | 15   | (426)                  | -                       | -                        | -                         |
|  |      | <b>(10,357)</b>        | (10,733)                | <b>(3,078)</b>           | (5,921)                   |
| <b>Net current assets</b>  |      |                        |                         |                          |                           |
|  |      | <b>17,328</b>          | 18,204                  | <b>8,144</b>             | 7,934                     |
| <b>Total assets less current liabilities</b>                     |      |                        |                         |                          |                           |
|  |      | <b>35,277</b>          | 33,436                  | <b>23,274</b>            | 22,856                    |
| <b>Non-current liabilities</b>                                   |      |                        |                         |                          |                           |
| Other liabilities  | 22   | (609)                  | (462)                   | -                        | -                         |
| Lease liabilities  | 15   | (1,909)                | -                       | -                        | -                         |
| Provisions   | 23   | (24)                   | (16)                    | -                        | -                         |
| Deferred tax liability   | 21   | (1,994)                | (1,797)                 | -                        | -                         |
|  |      | <b>(4,536)</b>         | (2,275)                 | -                        | -                         |
| <b>Net assets</b>  |      |                        |                         |                          |                           |
|  |      | <b>30,741</b>          | 31,161                  | <b>23,274</b>            | 22,856                    |
| <b>Capital and reserves attributable to owners of the parent</b> |      |                        |                         |                          |                           |
| Share capital  | 24   | 314                    | 313                     | 314                      | 313                       |
| Shares to be issued  | 26   | 65                     | 65                      | 65                       | 65                        |
| Share premium account  | 26   | 17,763                 | 17,417                  | 17,763                   | 17,417                    |
| Retained earnings  | 26   | 12,437                 | 12,851                  | 5,132                    | 5,061                     |
| Foreign currency translation reserve                             | 26   | 162                    | 515                     | -                        | -                         |
| <b>Total equity shareholders' funds</b>                          |      |                        |                         |                          |                           |
|  |      | <b>30,741</b>          | 31,161                  | <b>23,274</b>            | 22,856                    |

\*The Group has applied IFRS 16 using the modified retrospective approach. Under this method the comparative information is not restated. See note 31.

The profit of the Company for the year ended 30 September 2020 was £2,126,000 (30 September 2019: profit of £51,000).

The financial statements on pages 26 to 67 were approved and authorised for issue by the Board of Directors on 2 December 2020 and signed on its behalf by

**Nick Bolton**  
Director

**David Deacon**  
Director

The notes on pages 31 to 67 are an integral part of these financial statements.

## CONSOLIDATED AND COMPANY STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 SEPTEMBER 2020

|   | Note | Group<br>2020<br>£'000 | Group<br>2019*<br>£'000 | Company<br>2020<br>£'000 | Company<br>2019*<br>£'000 |
|---|------|------------------------|-------------------------|--------------------------|---------------------------|
| <b>Cash flows from operating activities</b>                 |      |                        |                         |                          |                           |
| Operating profit/(loss) from continuing operations          |      | 1,694                  | 4,664                   | (123)                    | 200                       |
| Operating profit from discontinued operations               |      | -                      | 21                      | -                        | -                         |
| Group operating profit/(loss)                               |      | 1,694                  | 4,685                   | (123)                    | 200                       |
| Depreciation and amortisation                               |      | 3,448                  | 2,761                   | 18                       | 12                        |
| Impairment of intangible assets                             |      | 72                     | -                       | -                        | -                         |
| Impairment of investment                                    |      | -                      | -                       | 98                       | -                         |
| Share-based payments  |      | 160                    | 264                     | 160                      | 141                       |
| Exchange adjustments  |      | (200)                  | 134                     | (52)                     | (105)                     |
| (Increase)/decrease in inventories                          |      | (225)                  | (823)                   | -                        | -                         |
| Decrease/(increase) in receivables                          |      | 2,248                  | (949)                   | 2,924                    | 7,412                     |
| (Decrease)/increase in payables                             |      | (771)                  | 1,600                   | (517)                    | (1,159)                   |
| <b>Cash generated from operating activities</b>             |      | <b>6,426</b>           | <b>7,672</b>            | <b>2,508</b>             | <b>6,501</b>              |
| Tax paid  |      | (157)                  | (369)                   | -                        | -                         |
| <b>Net cash from operating activities</b>                   |      | <b>6,269</b>           | <b>7,303</b>            | <b>2,508</b>             | <b>6,501</b>              |
| <b>Cash flows from investing activities</b>                 |      |                        |                         |                          |                           |
| Purchase of property, plant and equipment                   |      | (310)                  | (467)                   | (11)                     | (29)                      |
| Purchase of intangible assets                               |      | (2,511)                | (2,196)                 | -                        | -                         |
| Purchase of investment                                      |      | (236)                  | -                       | (236)                    | -                         |
| Proceeds on disposal of property, plant and equipment       |      | 33                     | 79                      | -                        | 9                         |
| Interest received   |      | 20                     | 23                      | 19                       | 22                        |
| Interest paid   |      | (103)                  | (2)                     | -                        | -                         |
| Interest arising on contingent consideration                |      | -                      | 43                      | -                        | -                         |
| Acquisition of subsidiary undertaking net of cash acquired  |      | (128)                  | (141)                   | -                        | -                         |
| <b>Net cash used in investing activities</b>                |      | <b>(3,235)</b>         | <b>(2,661)</b>          | <b>(228)</b>             | <b>2</b>                  |
| <b>Cash flows from financing activities</b>                 |      |                        |                         |                          |                           |
| Issue of ordinary shares                                    |      | 322                    | 91                      | 322                      | 91                        |
| Equity dividends paid                                       | 29   | (2,253)                | (3,125)                 | (2,253)                  | (3,125)                   |
| <b>Net cash used in financing activities</b>                |      | <b>(1,931)</b>         | <b>(3,034)</b>          | <b>(1,931)</b>           | <b>(3,034)</b>            |
| <b>Net increase in cash and cash equivalents</b>            |      | <b>1,103</b>           | <b>1,608</b>            | <b>349</b>               | <b>3,469</b>              |
| <b>Cash and cash equivalents at beginning of the period</b> |      | <b>13,837</b>          | <b>12,229</b>           | <b>4,700</b>             | <b>1,231</b>              |
| <b>Cash and cash equivalents at end of the period</b>       |      | <b>14,940</b>          | <b>13,837</b>           | <b>5,049</b>             | <b>4,700</b>              |

\*The Group has applied IFRS 16 using the modified retrospective approach. Under this method the comparative information is not restated. See note 31.

The notes on pages 31 to 67 are an integral part of these financial statements.

## CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2020

| Group  | Share capital<br>£'000 | Shares to be issued<br>£'000 | Share premium account<br>£'000 | Retained earnings<br>£'000 | Foreign currency translation reserve<br>£'000 | Total<br>£'000 |
|--|------------------------|------------------------------|--------------------------------|----------------------------|---|----------------|
| <b>Balance as at 1 October 2018</b>  | 312                    | 65                           | 17,327                         | 11,358                     | 244   | 29,306         |
| Net profit for the year  | -                      | -                            | -                              | 4,178                      | -   | 4,178          |
| Exchange differences on retranslation of overseas subsidiaries                 | -                      | -                            | -                              | -                          | 271   | 271            |
| <b>Transactions with owners:</b>   |                        |                              |                                |                            |   |                |
| Tax recognised directly in equity in relation to employee share option schemes | -                      | -                            | -                              | 176                        | -   | 176            |
| Dividends  | -                      | -                            | -                              | (3,125)                    | -   | (3,125)        |
| Issue of share capital   | 1                      | -                            | 90                             | -                          | -   | 91             |
| Share based payment charge   | -                      | -                            | -                              | 264                        | -   | 264            |
| <b>Balance as at 30 September 2019*</b>  | <b>313</b>             | <b>65</b>                    | <b>17,417</b>                  | <b>12,851</b>              | <b>515</b>                                    | <b>31,161</b>  |
| Net profit for the year  | -                      | -                            | -                              | 1,604                      | -   | 1,604          |
| Exchange differences on retranslation of overseas subsidiaries                 | -                      | -                            | -                              | -                          | (353)   | (353)          |
| <b>Transactions with owners:</b>   |                        |                              |                                |                            |   |                |
| Tax recognised directly in equity in relation to employee share option schemes | -                      | -                            | -                              | 100                        | -   | 100            |
| Dividends  | -                      | -                            | -                              | (2,253)                    | -   | (2,253)        |
| Issue of share capital   | 1                      | -                            | 346                            | -                          | -   | 347            |
| Share based payment charge   | -                      | -                            | -                              | 135                        | -   | 135            |
| <b>Balance as at 30 September 2020</b>   | <b>314</b>             | <b>65</b>                    | <b>17,763</b>                  | <b>12,437</b>              | <b>162</b>                                    | <b>30,741</b>  |

\*The Group has applied IFRS 16 using the modified retrospective approach. Under this method the comparative information is not restated. See note 31.

## CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2020

| Company   | Share capital<br>£'000 | Shares to be issued<br>£'000 | Share premium account<br>£'000 | Retained earnings<br>£'000 | Foreign currency translation reserve<br>£'000 | Total<br>£'000 |
|---|------------------------|------------------------------|--------------------------------|----------------------------|---|----------------|
| <b>Balance as at 1 October 2018</b>                                     | 312                    | 65                           | 17,327                         | 7,877                      | (122)   | 25,459         |
| Net profit for the year   | -                      | -                            | -                              | 51                         | -   | 51             |
| Transfer between reserves   | -                      | -                            | -                              | (122)                      | 122   | -              |
| <b>Transactions with owners:</b>  |                        |                              |                                |                            |   |                |
| Tax recognised directly in equity in relation to employee share options | -                      | -                            | -                              | 116                        | -   | 116            |
| Dividends   | -                      | -                            | -                              | (3,125)                    | -   | (3,125)        |
| Issue of share capital  | 1                      | -                            | 90                             | -                          | -   | 91             |
| Share based payment charge  | -                      | -                            | -                              | 264                        | -   | 264            |
| <b>Balance as at 30 September 2019</b>                                  | <b>313</b>             | <b>65</b>                    | <b>17,417</b>                  | <b>5,061</b>               | <b>-</b>                                      | <b>22,856</b>  |
| Net profit for the year   | -                      | -                            | -                              | 2,126                      | -   | 2,126          |
| <b>Transactions with owners:</b>  |                        |                              |                                |                            |   |                |
| Tax recognised directly in equity in relation to employee share options | -                      | -                            | -                              | 63                         | -   | 63             |
| Dividends   | -                      | -                            | -                              | (2,253)                    | -   | (2,253)        |
| Issue of share capital  | 1                      | -                            | 346                            | -                          | -   | 347            |
| Share based payment charge  | -                      | -                            | -                              | 135                        | -   | 135            |
| <b>Balance as at 30 September 2020</b>                                  | <b>314</b>             | <b>65</b>                    | <b>17,763</b>                  | <b>5,132</b>               | <b>-</b>                                      | <b>23,274</b>  |

The notes on pages 31 to 67 are an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

## 1. Basis of preparation of the financial statements

The consolidated and parent Company financial statements of Oxford Metrics plc have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS as adopted by the EU), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS.

### Going concern

In determining the appropriate basis of preparation of the financial statements, the directors are required to consider whether the Group can continue in operational existence for the foreseeable future.

In the early months of 2020, a global pandemic had broken out causing governments around the world to impose various restrictions on economies and human populations. The going concern review considered the potential impact of the pandemic on the following key areas:

#### *Market considerations*

The Group's primary markets are life sciences, entertainment, engineering, elite sports and local government asset management. The directors have assessed the impact of COVID-19 on these markets and consider that they have largely continued to operate through the pandemic. The Group has continued to trade through this period and continue to see opportunities for growth in its key markets despite the pandemic.

#### *Operational readiness*

The manufacturing facilities have remained operational with the Company implementing government advice in 'social distancing' and other measures, including the introduction of a two-shift pattern to reduce the risk of transmission. The Group has also successfully transitioned the non-manufacturing roles to remote working during this period. As well as maintaining our operational readiness from an internal perspective, the Group has not been significantly impacted by any supply chain issues during the pandemic.

#### *Financial considerations*

The Company has no external financing and as at the balance sheet date had cash balances of £14.9 million. The financial strength of the Group allowed it to trade through the lockdowns in a relatively strong position.

#### *Stress testing*

Continued uncertainty around the scale, timing and impact of COVID-19 means that forecasting the impact with any degree of accuracy is difficult. The directors have therefore performed stress testing to model a significant level of sales decline to assess the impact on cash flow. The results of this analysis is that the directors are confident that the business has sufficient cash liquidity to sustain very significant and prolonged reductions in trading revenue.

#### *Brexit*

As well as the impact of COVID-19 the directors have also considered the impact of Brexit on the ability of the Group to continue as a going concern. Based on our assessment of the potential impact of a no deal Brexit on Tariffs (both on exports and imports) and on the business in terms of our people, the directors have concluded that appropriate mitigation strategies can be put in place and that this will not have a material effect on the Group.

The directors, having prepared cash flow forecasts and given due consideration to the impact of COVID-19 on the Group's markets, operations and financial risk, as well as the expected impact of Brexit, have assessed that there is no material uncertainty with the Group's ability to continue operating as a going concern for a period in excess of 12 months from the date of signing the financial statements. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group's accounting policies which affect the reported amount of assets and liabilities at the statement of financial position date and the reported amounts of revenues and expenses during the reported period. Although the estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

The Company is a public limited company and is incorporated in England. The address of its registered office can be found on page 68.

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own income statement in these financial statements.

## Changes in accounting standards

### *International Accounting Standards (IAS/IFRS)*

The following standards, amendments to standards and interpretations have been adopted during the period and more detail can be found in note 31:

- IFRS 16 'Leases'

At the date of authorisation of these financial statements, the directors have considered the standards and interpretations which have not been applied in these financial statements that were in issue but not yet effective (and in some cases had not yet been adopted by the EU). The adoption of these standards and interpretations not yet effective are not expected to have a material impact on the results of the Company.

## Audit Exemption

IMeasureU Limited, a 100% owned subsidiary undertaking incorporate in England, has claimed the audit exemption under Companies Act 2006 Section 479A with respect to the year ended 30 September 2020. The parent company, Oxford Metrics plc, has given a statement of guarantee under Companies Act 2006 Section 479C, whereby Oxford Metrics plc will guarantee outstanding liabilities to which IMeasureU Limited are subject as at 30 September 2020.

## 2. Accounting policies

The principal accounting policies applied in the preparation of these consolidated and parent Company financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### Basis of consolidation

The consolidated financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 30 September 2020.

Where the Company has control over an investee, it is classified as a subsidiary. The company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any elements of control.

Subsidiary undertakings are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on which control ceases. Acquisitions of subsidiaries are dealt with by the acquisition method of accounting from the date of acquisition. Inter-company balances and transactions are eliminated on consolidation.

### Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. The Chief Operating Decision Maker has been identified as the Board of Directors of Oxford Metrics plc.

### Revenue

Revenue represents the fair value of consideration received or receivable arising from the provision of goods and services to third party customers, net of VAT, and trade discounts. Revenue has been recognised in the year ended 30 September 2020 by applying IFRS 15, the policies adopted are set out below:

#### *Performance obligations and timing of revenue recognition*

The majority of the Group's revenue is derived from selling goods with revenue recognised at a point in time when control of the goods has transferred to the customer. This is generally when the goods are delivered to the customer.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

Some of the Group's software and service revenue streams are typically recognised on an over time basis, with the revenue earned recognised on a straight-line basis over the term of the contract. A deferral is made for the proportion of revenue allocated to the undelivered element of the performance obligation based upon the standalone selling price of the individual performance obligation under the terms of the sale.

Within Vicon a number of sales are made through independent third party distributors. In this instance revenue is recognised on delivery of the product to the distributor. No sales to third party distributors are made on a sale or return basis.

Within Yotta revenue from the sale of software is recognised over the term of the contract on a straight line basis until all performance obligations are fulfilled.

### *Determining the transaction price and allocating amounts to performance obligations*

The Group's revenue is derived from fixed price contracts and therefore the amount of revenue attributable to each contract is determined by reference to those fixed prices.

Within Vicon, system sales are multi element arrangements and include the sale of software, hardware and ongoing support. Under IFRS 15 the support element of the system sale has been identified as a separate performance obligation because support services are sold on a standalone basis and the system can operate without them. Revenue is recognised over time as this obligation is fulfilled. Where discounts are given these are allocated on a proportionate basis to the hardware and software elements of the system sale. The revenue attributable to the support element of the system sale is calculated by reference to the equivalent standalone selling price of the support had it not been included within a system sale, less any attributable discount.

Where revenue is recognised over time any deferred income balances are included in trade and other payables in the statement of financial position. Any accrued income balances are included within trade and other receivables. Revenue from the sale of goods relates to the sale of items held within inventory. For service and support contracts revenue is recognised over time by reference to the term of the contract until all performance obligations are fulfilled and consequently no asset for work in progress is recognised.

### **Government grants**

Grants from the Government are recognised at their fair value where there is a reasonable assurance that the grant will be received and that the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate. Grants received are included within other operating income in the income statement.

### **Goodwill and intangible assets**

Goodwill is carried at cost less any provision for impairment. Intangible assets are valued at cost less amortisation and any provisions for impairment.

Goodwill arising on business combinations (representing the excess of fair value of the consideration given over the fair value of the separable net assets acquired) is capitalised and its subsequent measurement is based on annual impairment reviews, with any impairment losses recognised immediately in the income statement. For business combinations completed after 1 January 2010, direct costs of acquisition are recognised immediately in the income statement as an expense.

The Group has elected to apply IFRS 3, 'Business combinations' prospectively from the date of transition to IFRS and therefore goodwill written off to reserves prior to 1 October 2006 has not been reinstated on transition to IFRS.

### *Externally acquired intangible assets*

Intangible assets are capitalised at cost and amortised to nil by equal annual instalments over their estimated useful economic life.

Intangible assets are recognised on business combinations if they are separable from the acquired entity. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques (see note 3). The significant intangibles recognised by the Group and their useful economic lives are as follows:

- Brand name over 10 years
- Customer relationships over 8 years
- Intellectual property over 2-10 years

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

### *Internally generated intangible assets (research and development costs)*

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- It is technically feasible to develop the product for it to be sold;
- Adequate resources are available to complete the development;
- There is an intention to complete and sell the product;
- The Group is able to sell the product;
- Sale of the product will generate future economic benefits; and
- Expenditure on the project can be measured reliably.

Capitalised development costs are amortised over the periods the Group expects to benefit from selling the products developed, which is estimated to be 3 - 10 years. The amortisation expense is included within research and development expenses in the consolidated income statement.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the consolidated income statement as incurred.

### **Impairment of non-financial assets (excluding inventories and deferred tax assets)**

Impairment tests on goodwill are undertaken annually at the financial year end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; (its cash generating unit). Goodwill is allocated on initial recognition to each of the Group's CGU's that are expected to benefit from the synergies of the combination giving rise to the goodwill.

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income. An impairment loss recognised for goodwill is not reversed.

### **Property, plant and equipment**

Property, plant and equipment is stated at cost less accumulated depreciation. Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets by equal annual instalments over their expected useful lives. The rates applicable are:

- Computers and equipment 25% - 50%
- Furniture and fixtures 20% or 50%
- Motor vehicles 25%
- Demonstration equipment 25% or 50%. Some demonstration equipment held within the Vicon Group is not depreciated as its residual value exceeds its cost.
- Leasehold improvements Over the lower of the life of the asset and the remaining period of the lease.

The assets' residual values and useful lives are reviewed and adjusted if appropriate at each statement of financial position date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

### **Investments in subsidiaries**

Investments are included at cost less provision for impairment.

### **Inventories**

Inventories are stated at the lower of historical cost and net realisable value, on a first in first out basis, after making allowance for obsolete and slow moving items. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

### Discontinued operations

The results of operations held for sale are included in the consolidated statement of comprehensive income up to the date of disposal.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale, that has been disposed of, has been abandoned or that meets the criteria to be classified as held for sale.

Discontinued operations are presented in the consolidated income statement separately from continuing operations in a section identified as relating to discontinued operations and prior year results have been restated.

### Associates

Where the Group has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recognised in the consolidated statement of financial position at cost. Subsequently associates are accounted for using the equity method, where the Group's share of post-acquisition profits and losses and other comprehensive income is recognised in the consolidated income statement and consolidated statement of comprehensive income (except for losses in excess of the Group's investment in the associate unless there is an obligation to make good those losses).

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

### Leases

The Group accounts for a contract, or portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

- a) There is an identified asset;
- b) The Group obtains substantially all the economic benefits from use of the asset; and
- c) The Group has the right to direct use of the asset.

The Group considers whether the supplier has all the economic benefits from use of the asset, the Group considers only the economic benefits that arise from the asset, not those incidental to legal ownership or other potential benefits.

In determining whether the Group has the right to direct use of the asset, the Group considers whether it directs how and for what purpose the asset is used throughout the period of use. If there are no significant decisions to be made because they are pre-determined due to the nature of the asset, the Group considers whether it was involved in the design of the asset in a way that pre-determines how and for what purpose the asset will be used throughout the period of use. If the contract or portion of a contract does not satisfy these criteria, the Group applies other applicable IFRSs rather than IFRS 16.

All leases are accounted for by recognising a right of use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

IFRS 16 was adopted on 1 October 2019 without restatement of comparative figures. For an explanation of the transitional adjustments that were applied at 1 October 2019 see note 31. The following policies apply subsequent to the date of initial application.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable. In this case the Group's incremental borrowing rate on commencement of the lease is used.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

On initial recognition the carrying value of the lease liability also includes:

- Amounts expected to be payable under any residual value guarantee;
- The exercise price of any purchase option granted in favour of the Group if it is reasonably certain to assess that option;
- Any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of the termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before commencement of the lease;
- Initial direct costs incurred; and
- The amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right of use assets are amortised on a straight line basis over the remaining term of the lease or over the remaining useful economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Group revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right of use asset, with the revised carrying amount being amortised over the remaining revised lease term.

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- If the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights of use obtained, the modification is accounted for as a separate lease in accordance with the above policy.
- In all other cases where the renegotiation increases the scope of the lease, the lease liability is remeasured using the discount rate applicable on the modification date, with the right of use asset being adjusted by the same amount. If the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right of use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right of use asset is adjusted by the same amount.

### Financial assets

The Group and Company classifies its financial assets into the categories below.

*Amortised cost:* These assets arise principally from the provision of goods and services to customers (e.g. trade receivables and accrued income). They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected credit loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within administrative expenses in the consolidated income statement. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since the initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has significantly increased, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses are recognised along with interest income on a net basis.

The Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

*Fair value through profit or loss:* This category includes equity investments which are held in the consolidated statement of financial position at fair value with changes in the fair value being recognised in the consolidated income statement.

### Financial liabilities

The Group and Company classifies its financial liabilities into the categories below.

*Amortised cost:* Financial liabilities include trade payables and other short-term monetary liabilities. Trade payables and other short-term monetary liabilities are recognised at fair value and subsequently held at amortised cost.

*Fair value through profit or loss:* This category includes contingent consideration payable which is held in the Consolidated Statement of Financial Position at fair value with changes in the fair value being recognised in the Consolidated Income Statement.

### Cash and cash equivalents

Cash and cash equivalents include cash in hand, net deposits held at call with banks and other short term highly liquid investments with original maturities of less than three months.

### Trade and other payables

Trade payables and other short term monetary liabilities are recognised at fair value and subsequently held at amortised cost.

### Current and deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the statement of financial position differs from its tax base, except for differences arising on:

- The initial recognition of goodwill;
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit; and
- Investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Deferred tax assets and liabilities are offset when the Group has 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 on either:

- The same taxable Group company; or
- Different Group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Taxation recognised directly in equity is in relation to tax on the employee share option charge for the year recognised in the income statement.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

### Foreign currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Sterling (£) which is also the Company's functional currency.

Transactions in foreign currencies are recorded at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the income statement.

For consolidation purposes assets and liabilities of foreign subsidiaries that have a functional currency different from the presentation currency are translated at the rates of exchange ruling at the balance sheet date. Income statements of such undertakings are translated on a monthly basis at the month end exchange rate. Exchange differences arising on these translations are taken to the foreign currency translation reserve through the statement of comprehensive income.

### Employee benefits

#### *Contributions to pension schemes*

The Group accounts for pensions and similar employee benefits under IAS 19 'Employee benefits'. The Group operates defined contribution pension schemes for both its UK and US employees. The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.

#### *Employee share option schemes*

The Group operates an equity settled share based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense in the income statement over the vesting period of the grant with a corresponding adjustment to equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non market vesting conditions (for example, profitability and sales growth targets). Non market vesting conditions are included in assumptions about the number of options that are expected to vest. At each statement of financial position date the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

### Operating leases

Where properties are sublet and designated as operating leases, the rental income received is recognised as other income in the income statement on a straight line basis over the lease term.

### Dividend distribution

Dividends are recognised when they become legally payable. In the case of interim dividends, this is when they are paid. In the case of final dividends, this is when approved by the shareholders at the annual general meeting.

### Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses. Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

### 3. Critical accounting estimates and judgements

The Group makes certain estimates and assumptions regarding the future. Estimates are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

### Estimates, judgements and assumptions

(a) *Estimate of useful lives of intangible assets*

Intangible assets are amortised over their estimated useful lives. Useful lives are based on management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the consolidated income statement in specific periods. Within development costs there are a significant number of different projects across the Group. The useful life of each project is assessed on an individual basis. If the remaining useful economic life of each project decreased by 50% at 1 October 2019 the amortisation charge for the year would have increased by £1,960,000. More detail including carrying values is included in note 12.

(b) *Estimation of future cashflows and determination of the discount rate in goodwill impairment reviews*

The recoverable amounts of the cash generating units are determined from value in use calculations based on cash flow projections. Changes in the cash flow projections and the discount rates used in these calculations can result in significant variations in the recoverable amounts of the cash generating units. More detail can be found in note 13.

(c) *Judgements concerning the determination of the lease term for some contracts where the Group is a lessee, and incremental borrowing rates used to measure lease liabilities*

The Group has some property leases which include break clauses and in accordance with IFRS 16 the Group must assess whether, at 30 September 2020, is it reasonably certain that these break clauses will be exercised. Significant judgement is also required to determine the Group's incremental borrowing rate at the date of commencement of the leases recognised under IFRS 16. More detail can be found in note 15.

(d) *Judgements concerning the treatment of a sublease as an operating lease*

The Group acts as an intermediate lessor on one of its property leases in which part of the right of use asset is sublet to a third party. Management considers that this sublease meets the definition of an operating lease under IFRS 16 and the rental income received is recognised as other income in the income statement on a straight line basis over the sublease term.

(e) *Judgements concerning the capitalisation of development costs*

Development costs are capitalised according to the criteria set out in IAS 38. Management make assumptions as to when these criteria have been met and consequently the date from which the costs for a project are capitalised. Management review the carrying value of capitalised development costs on an annual basis and consider indicators of impairment.

### 4. Revenue from contracts with customers

All revenue is from continuing operations.

| Revenue              | 2020<br>£'000 | 2019<br>£'000 |
|----------------------|---------------|---------------|
| Vicon UK             | 13,540        | 14,638        |
| Vicon USA            | 9,228         | 13,692        |
| Vicon Group          | 22,768        | 28,330        |
| Yotta                | 7,530         | 7,020         |
| Oxford Metrics Group | 30,298        | 35,350        |



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

|   | 2020              |                    |                |                |
|---|-------------------|--------------------|----------------|----------------|
|   | Vicon UK<br>£'000 | Vicon USA<br>£'000 | Yotta<br>£'000 | Total<br>£'000 |
| <b>Timing of the transfer of goods and services</b> |                   |                    |                |                |
| Point in time                                       | 12,240            | 7,231              | 1,775          | 21,246         |
| Over time   | 1,300             | 1,997              | 5,755          | 9,052          |
| Oxford Metrics Group                                | 13,540            | 9,228              | 7,530          | 30,298         |
| <b>Contract Counterparties</b>                      |                   |                    |                |                |
| Direct to consumers                                 | 2,831             | 8,617              | 6,420          | 17,868         |
| Third party distributor                             | 10,709            | 611                | 1,110          | 12,430         |
| Oxford Metrics Group                                | 13,540            | 9,228              | 7,530          | 30,298         |
| <b>By destination</b>                               |                   |                    |                |                |
| UK  | 2,248             | -                  | 7,227          | 9,475          |
| Germany   | 613               | -                  | -              | 613            |
| Italy   | 231               | -                  | -              | 231            |
| Netherlands   | 449               | -                  | 29             | 478            |
| France  | 189               | -                  | -              | 189            |
| Switzerland   | 294               | -                  | -              | 294            |
| Russia  | 350               | -                  | -              | 350            |
| Rest of Europe                                      | 1,003             | -                  | 2              | 1,005          |
| Canada  | -                 | 1,006              | -              | 1,006          |
| USA   | 1                 | 7,706              | -              | 7,707          |
| Rest of North America                               | 6                 | 227                | -              | 233            |
| Australia   | 1,307             | -                  | 256            | 1,563          |
| Hong Kong   | 3,205             | -                  | -              | 3,205          |
| Japan   | 3,061             | -                  | -              | 3,061          |
| South Korea   | 323               | -                  | -              | 323            |
| Rest of Asia Pacific                                | 260               | -                  | -              | 260            |
| Other   | -                 | 289                | 16             | 305            |
| Oxford Metrics Group                                | 13,540            | 9,228              | 7,530          | 30,298         |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

|   | 2019              |                    |                |                |
|---|-------------------|--------------------|----------------|----------------|
|   | Vicon UK<br>£'000 | Vicon USA<br>£'000 | Yotta<br>£'000 | Total<br>£'000 |
| <b>Timing of the transfer of goods and services</b> |                   |                    |                |                |
| Point in time                                       | 13,507            | 11,784             | 1,741          | 27,032         |
| Over time   | 1,131             | 1,908              | 5,279          | 8,318          |
| Oxford Metrics Group                                | 14,638            | 13,692             | 7,020          | 35,350         |
| <b>Contract Counterparties</b>                      |                   |                    |                |                |
| Direct to consumers                                 | 3,440             | 12,044             | 6,811          | 22,295         |
| Third party distributor                             | 11,198            | 1,648              | 209            | 13,055         |
| Oxford Metrics Group                                | 14,638            | 13,692             | 7,020          | 35,350         |
| <b>By destination</b>                               |                   |                    |                |                |
| UK  | 1,662             | -                  | 6,577          | 8,239          |
| Germany   | 969               | -                  | 24             | 993            |
| Italy   | 327               | -                  | -              | 327            |
| Netherlands   | 585               | -                  | 142            | 727            |
| France  | 535               | -                  | -              | 535            |
| Switzerland   | 285               | -                  | -              | 285            |
| Russia  | 46                | -                  | -              | 46             |
| Rest of Europe                                      | 812               | -                  | 4              | 816            |
| Canada  | -                 | 905                | -              | 905            |
| USA   | 646               | 12,099             | -              | 12,745         |
| Rest of North America                               | -                 | 110                | -              | 110            |
| Australia   | 327               | -                  | 218            | 545            |
| Hong Kong   | 2,788             | -                  | -              | 2,788          |
| Japan   | 3,570             | -                  | -              | 3,570          |
| South Korea   | 1,464             | -                  | -              | 1,464          |
| Rest of Asia Pacific                                | 565               | -                  | -              | 565            |
| Other   | 57                | 578                | 55             | 690            |
| Oxford Metrics Group                                | 14,638            | 13,692             | 7,020          | 35,350         |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

|                                | 2020<br>£'000 | 2019<br>£'000 |
|--------------------------------|---------------|---------------|
| <b>Vicon revenue by market</b> |               |               |
| Engineering                    | 4,139         | 6,015         |
| Entertainment                  | 6,732         | 6,802         |
| Life sciences                  | 10,117        | 13,637        |
| Established markets            | 20,988        | 26,454        |
| Adjacent verticals             | 1,780         | 1,876         |
| Vicon Group*                   | 22,768        | 28,330        |
| <b>Yotta revenue by type</b>   |               |               |
| Software and related services  | 7,530         | 7,020         |
| Yotta Group                    | 7,530         | 7,020         |
| <b>Group revenue by type</b>   |               |               |
| Sale of hardware               | 18,221        | 23,710        |
| Sale of software               | 4,494         | 7,023         |
| Rendering of services          | 7,583         | 4,618         |
| Oxford Metrics Group           | 30,298        | 35,350        |
| <b>Group revenue by origin</b> |               |               |
| UK                             | 20,796        | 21,268        |
| North America                  | 9,228         | 13,692        |
| Asia Pacific                   | 274           | 390           |
| Oxford Metrics Group           | 30,298        | 35,350        |

\*This additional information is provided to the Chief Operating Decision Maker. Further analysis by market is not available.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

### Contract balances

|   | 2020                     |                               |
|---|--------------------------|-------------------------------|
|   | Contract assets<br>£'000 | Contract liabilities<br>£'000 |
| At 1 October 2019   | 787                      | 5,370                         |
| Transfers from contract assets to trade receivables                                     | (1,518)                  | -                             |
| Amounts included in contract liabilities recognised as revenue during the period        | -                        | (9,498)                       |
| Excess of revenue recognised over cash during the period                                | 1,141                    | -                             |
| Cash received in advance of performance and not recognised as revenue during the period | -                        | 10,062                        |
| Foreign exchange differences  | 1                        | (84)                          |
| <b>At 30 September 2020</b>   | <b>411</b>               | <b>5,850</b>                  |

  

|   | 2019                     |                               |
|---|--------------------------|-------------------------------|
|   | Contract assets<br>£'000 | Contract liabilities<br>£'000 |
| At 1 October 2018   | 666                      | 3,848                         |
| Cumulative catch up adjustments   | -                        | 872                           |
| Transfers from contract assets to trade receivables                                     | (3,944)                  | -                             |
| Amounts included in contract liabilities recognised as revenue during the period        | -                        | (8,486)                       |
| Excess of revenue recognised over cash during the period                                | 4,065                    | -                             |
| Cash received in advance of performance and not recognised as revenue during the period | -                        | 9,173                         |
| Foreign exchange differences  | -                        | (37)                          |
| At 30 September 2019  | 787                      | 5,370                         |

Contract assets and contract liabilities are included within trade and other assets and trade and other payables respectively on the face of the statement of financial position. They arise primarily from the Group's software and support contracts which are delivered over time and where the cumulative payments received from customers at each balance sheet date do not necessarily equal the amount of revenue recognised on the contract.

### Remaining performance obligations

The majority of the Group's contracts are for the delivery of goods and services within the next 12 months for which the practical expedient in paragraph 121(a) of IFRS 15 applies. However, some software and support contracts are for a period greater than 12 months and the amount of revenue that will be recognised in future periods on these contracts is as follows:

| At 30 September 2020 | 2021<br>£'000 | 2022<br>£'000 | 2023<br>£'000 | 2024<br>£'000 | 2025<br>£'000 | 2026<br>£'000 |
|----------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Support contracts    | 2,649         | 604           | 376           | 299           | 281           | 8             |
| Software contracts   | 1,477         | 862           | 473           | 301           | -             | -             |
|                      | <b>4,126</b>  | <b>1,466</b>  | <b>849</b>    | <b>600</b>    | <b>281</b>    | <b>8</b>      |

  

| At 30 September 2019 | 2020<br>£'000 | 2021<br>£'000 | 2022<br>£'000 | 2023<br>£'000 | 2024<br>£'000 | 2025<br>£'000 |
|----------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Support contracts    | 2,410         | 753           | 430           | 285           | 250           | 257           |
| Software contracts   | 752           | 681           | 492           | 133           | 10            | -             |
|                      | <b>3,162</b>  | <b>1,434</b>  | <b>922</b>    | <b>418</b>    | <b>260</b>    | <b>257</b>    |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

### 5. Segmental analysis

Segment information is presented in the financial statements in respect of the Group's business segments, which are reported to the Chief Operating Decision Maker (CODM). The Group has identified the Board of Directors of Oxford Metrics plc ("the Board") as the CODM. The business segment reporting reflects the Group's management and internal reporting structure.

The Group comprises the following business segments:

- Vicon Group: This is the development, production and sale of computer software and equipment for the engineering, entertainment and life science markets; and
- Yotta Group: This is the provision of software and services for the management of infrastructure assets for Government Agencies, Local Government and major infrastructure contractors.

Other unallocated costs represent head office expenses not recharged to subsidiary companies.

Inter segment transfers are priced along the same lines as sales to external customers, with an appropriate discount being applied to encourage use of Group resources. This policy was applied consistently throughout the current and prior year. There were no significant inter segment transfers during the current or prior year.

Intra segment sales between Vicon UK and Vicon USA are eliminated prior to management and internal reporting, and hence are not shown separately in the analysis below. The total intra segment sales between Vicon UK and Vicon USA in the year ended 30 September 2020 are £3,766,000 (2019: £7,630,000).

Segment assets consist primarily of property, plant and equipment, intangible assets, inventories and trade and other receivables. Unallocated assets comprise deferred taxation, investments and cash and cash equivalents.

|                         | 2020                                       |                          |                          |                                   | 2019                                       |                          |                          |                                   |
|-------------------------|--|--------------------------|--------------------------|-----------------------------------|--|--------------------------|--------------------------|-----------------------------------|
|                         | Adjusted profit/(loss) before tax<br>£'000 | Adjusting items<br>£'000 | Group recharges<br>£'000 | Profit/(loss) before tax<br>£'000 | Adjusted profit/(loss) before tax<br>£'000 | Adjusting items<br>£'000 | Group recharges<br>£'000 | Profit/(loss) before tax<br>£'000 |
| Vicon UK                | 1,571                                      | (275)                    | 393                      | 1,689                             | 2,354                                      | (125)                    | 3,248                    | 5,477                             |
| Vicon USA               | 3,277                                      | -                        | (2,218)                  | 1,059                             | 5,760                                      | -                        | (4,976)                  | 784                               |
| Vicon Group             | 4,848                                      | (275)                    | (1,825)                  | 2,748                             | 8,114                                      | (125)                    | (1,728)                  | 6,261                             |
| Yotta                   | (115)                                      | (398)                    | (758)                    | (1,271)                           | (230)                                      | (469)                    | (808)                    | (1,507)                           |
| Unallocated             | (2,174)                                    | (304)                    | 2,583                    | 105                               | (2,421)                                    | (200)                    | 2,536                    | (85)                              |
| Continuing operations   | 2,559                                      | (977)                    | -                        | 1,582                             | 5,463                                      | (794)                    | -                        | 4,669                             |
| OMG Life Group          | -  | -                        | -                        | -                                 | 21   | -                        | -                        | 21                                |
| Discontinued operations | -  | -                        | -                        | -                                 | 21   | -                        | -                        | 21                                |
| Oxford Metrics Group    | 2,559                                      | (977)                    | -                        | 1,582                             | 5,484                                      | (794)                    | -                        | 4,690                             |

Adjusted profit before tax is detailed in note 7.

|                      | Segment depreciation and amortisation |               |
|----------------------|---------------------------------------|---------------|
|                      | 2020<br>£'000                         | 2019<br>£'000 |
| Vicon UK             | 2,263                                 | 1,898         |
| Vicon USA            | 208                                   | 64            |
| Vicon Group          | 2,471                                 | 1,962         |
| Yotta                | 1,031                                 | 787           |
| Unallocated          | 18                                    | 12            |
| Oxford Metrics Group | 3,520                                 | 2,761         |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

|                      | Non-current assets |               | Additions to non-current assets |               | Carrying amount of segment assets |               | Carrying amount of segment liabilities |               |
|----------------------|--------------------|---------------|---------------------------------|---------------|-----------------------------------|---------------|--|---------------|
|                      | 2020<br>£'000      | 2019<br>£'000 | 2020<br>£'000                   | 2019<br>£'000 | 2020<br>£'000                     | 2019<br>£'000 | 2020<br>£'000                          | 2019<br>£'000 |
| Vicon UK             | 9,581              | 8,642         | 3,221                           | 1,667         | 23,320                            | 22,687        | (5,827)                                | (5,781)       |
| Vicon USA            | 1,071              | 838           | 317                             | 55            | 5,938                             | 8,824         | (2,802)                                | (2,973)       |
| Vicon Group          | 10,652             | 9,480         | 3,538                           | 1,722         | 29,258                            | 31,511        | (8,629)                                | (8,754)       |
| Yotta Group          | 6,664              | 5,366         | 1,806                           | 912           | 16,511                            | 13,069        | (5,856)                                | (3,852)       |
| Unallocated          | 633                | 386           | 247                             | 29            | 5,917                             | 5,641         | (408)                                  | (402)         |
| OMG Life Group*      | -                  | -             | -                               | -             | (6,052)                           | (6,052)       | -                                      | -             |
| Oxford Metrics Group | 17,949             | 15,232        | 5,591                           | 2,663         | 45,634                            | 44,169        | (14,893)                               | (13,008)      |

\* The negative balance within segment assets represents a cash overdraft which is part of the Group's cash offset facility.

### 6. Profit for the year

The profit for the year is stated after charging / (crediting):

|   | 2020<br>£'000 | 2019<br>£'000 |
|---|---------------|---------------|
| Depreciation of right of use assets (note 15)                   | 528           | -             |
| Depreciation of property, plant and equipment - owned (note 14) | 610           | 621           |
| Amortisation of customer relationships (note 12)                | 312           | 314           |
| Amortisation of intellectual property (note 12)                 | 245           | 245           |
| Amortisation of development costs (note 12)                     | 1,753         | 1,581         |
| Impairment of development costs (note 12)                       | 72            | -             |
| Share based payments – equity settled                           | 25            | 25            |
| Share option charges (note 25)                                  | 135           | 264           |
| Operating lease charges – land and buildings                    | -             | 607           |
| Foreign exchange loss   | (24)          | 98            |
| Grant income receivable   | (163)         | (202)         |

During the year the Group obtained the following services from the Group's auditors and its associates as detailed below:

|   | 2020<br>£'000 | 2019<br>£'000 |
|---|---------------|---------------|
| Fees payable to the Company's auditor for the audit of the parent Company and consolidated financial statements | 50            | 37            |
| Fees payable to the Company's auditor for other services:   |               |               |
| The audit of financial statements of subsidiaries pursuant to legislation                                       | 60            | 42            |
| Tax services  | 63            | 24            |
| Fees payable to associates of the Company's auditor for other services  | 23            | 18            |
|   | 196           | 121           |

Audit services include £13,000 in respect of the Company (2019: £13,000).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

### 7. Reconciliation of adjusted profit before tax

The adjusted profit before tax is considered by the Board to more accurately reflect the underlying operating performance of the business on a go-forward basis and complements the statutory measure as reported in the Consolidated Income Statement.

The reconciliation of profit before tax to adjusted profit provided below includes items that are:

- non-recurring in nature, such as redundancy costs incurred from time to time, acquisition costs and results of the Group's equity accounted associate, which are not core to operations or future operating performance.
- non-cash moving items which arise from the accounting treatment of share based payments and the amortisation of acquired intangibles which affect neither future operating performance nor cash generation.

The above definition has been consistently applied historically and is the measure by which the market generally judges PBT performance.

|   | 2020<br>£'000 | 2019<br>£'000 |
|---|---------------|---------------|
| Profit before tax – continuing operations   | 1,582         | 4,669         |
| Share option charges  | 135           | 264           |
| Amortisation of intangibles arising on acquisition  | 541           | 541           |
| Redundancy costs  | 74            | 125           |
| Aborted transaction costs   | 198           | -             |
| Adjustment to fair value of contingent consideration payable and unwinding of discount factor | -             | (195)         |
| Share of post-tax loss of equity accounted associate  | 29            | 59            |
| Adjusted profit before tax – continuing operations  | 2,559         | 5,463         |
| Profit before tax – discontinued operations   | -             | 21            |
| Adjusted profit before tax – discontinued operations  | -             | 21            |
| Total adjusted profit before tax – all operations   | 2,559         | 5,484         |

#### Adjusted earnings per share for profit on continuing operations attributable to owners of the parent during the year

|                                    |       |       |
|------------------------------------|-------|-------|
| Basic earnings per share (pence)   | 2.05p | 3.96p |
| Diluted earnings per share (pence) | 2.02p | 3.86p |

#### Adjusted earnings per share for profit on total operations attributable to owners of the parent during the year

|                                    |       |       |
|------------------------------------|-------|-------|
| Basic earnings per share (pence)   | 2.05p | 3.97p |
| Diluted earnings per share (pence) | 2.02p | 3.87p |

The adjusted profit before tax for the Vicon and Yotta business segments which are included within the Group's continuing operations is shown in detail below;

|   | Vicon Group   |               |
|---|---------------|---------------|
|   | 2020<br>£'000 | 2019<br>£'000 |
| Profit before tax   | 2,748         | 6,261         |
| Share option charges  | 33            | 78            |
| Amortisation of intangibles arising on acquisition  | 242           | 242           |
| Adjustment to fair value of contingent consideration payable and unwinding of discount factor | -             | (195)         |
| Reapportion Group overheads   | 1,825         | 1,728         |
| Adjusted profit before tax  | 4,848         | 8,114         |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

|  | Yotta Group   |               |
|--|---------------|---------------|
|  | 2020<br>£'000 | 2019<br>£'000 |
| Loss before tax                                    | (1,271)       | (1,507)       |
| Share option charges                               | 25            | 45            |
| Amortisation of intangibles arising on acquisition | 299           | 299           |
| Redundancy costs                                   | 74            | 125           |
| Reapportion Group overheads                        | 758           | 808           |
| Adjusted loss before tax                           | <b>(115)</b>  | <b>(230)</b>  |

### 8. Directors and employees

Staff costs during the year were as follows:

|                       | Group<br>2020<br>£'000 | Group<br>2019<br>£'000 | Company<br>2020<br>£'000 | Company<br>2019<br>£'000 |
|-----------------------|------------------------|------------------------|--------------------------|--------------------------|
| Wages and salaries    | 13,424                 | 13,449                 | 1,335                    | 1,314                    |
| Share-based payments  | 160                    | 289                    | 102                      | 191                      |
| Social security costs | 1,290                  | 1,306                  | 160                      | 174                      |
| Other pension costs   | 634                    | 610                    | 56                       | 55                       |
|                       | <b>15,508</b>          | <b>15,654</b>          | <b>1,653</b>             | <b>1,734</b>             |

The average number of employees of the Group during the year was:

|                                    | 2020<br>Number | 2019<br>Number |
|------------------------------------|----------------|----------------|
| Development                        | 69             | 65             |
| Sales and customer support         | 70             | 70             |
| Production and production services | 50             | 49             |
| Management and administration      | 26             | 26             |
|                                    | <b>215</b>     | <b>210</b>     |

The average number of employees of the Company during the year was 10 (2019:10) all of which are classified as management and administration.

Details of individual directors' remuneration are included in the Report on Directors' Remuneration. For the purposes of IAS 24 'Related party disclosures' the directors are considered key management.

Key management personnel compensation:

|                       | 2020<br>£'000 | 2019<br>£'000 |
|-----------------------|---------------|---------------|
| Wages and salaries    | 1,015         | 877           |
| Share-based payments  | 69            | 124           |
| Social security costs | 112           | 131           |
| Other pension costs   | 19            | 18            |
| Benefits in kind      | 4             | 4             |
|                       | <b>1,219</b>  | <b>1,154</b>  |

The number of directors accruing benefits under Group pension schemes was 1 (2019: 1).

#### Exercise of directors' share options

During the year no directors (2019: one director) exercised share options.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

### 9. Taxation

The tax is based on the profit for the year and represents:

|   | 2020<br>£'000 | 2019<br>£'000 |
|---|---------------|---------------|
| United Kingdom corporation tax at 19.0% (2019: 19.0%) | 89            | 324           |
| Overseas taxation                                     | 297           | 222           |
| Adjustments in respect of prior year                  | (56)          | 1             |
| Current taxation                                      | 330           | 547           |
| Deferred taxation (note 21)                           | (352)         | (35)          |
| Total taxation (credit)/expense                       | (22)          | 512           |

Continuing and discontinued operations:

|  | 2020<br>£'000 | 2019<br>£'000 |
|--|---------------|---------------|
| Income tax (credit)/expense from continuing operations | (22)          | 504           |
| Income tax expense from discontinued operations        | -             | 8             |
| Total taxation (credit)/expense                        | (22)          | 512           |

At 30 September 2020, the Group had an undiscounted deferred tax asset of £974,000 (2019: £405,000). The asset comprises principally short term timing differences, future tax relief available on the exercise of outstanding employee share options in Oxford Metrics plc and unrelieved trading losses carried forward for which recoverability is reasonably certain.

Deferred tax assets and liabilities have been measured at an effective rate of 19% and 25% in the UK and USA, respectively (2019: 17% and 25%, respectively) and are detailed in note 21.

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 19.0% (2019: lower than the standard rate of 19%).

The differences are explained as follows:

|  | 2020<br>£'000 | 2019<br>£'000 |
|--|---------------|---------------|
| Profit on ordinary activities before tax   | 1,582         | 4,690         |
| Expected tax income based on the standard rate of corporation tax in the UK of 19.0% (2019: 19.0%) | 300           | 891           |
| Effect of:   |               |               |
| Expenses not deductible for tax purposes   | 90            | 43            |
| Recognition of previously unrecognised deferred tax asset  | (37)          | -             |
| Unrelieved current year losses   | 90            | 126           |
| Utilisation of losses brought forward  | (14)          | (4)           |
| Adjustments to tax charge in respect of prior year current tax                                     | (56)          | 1             |
| Higher rates on overseas taxation  | 86            | 33            |
| Research and development tax credit  | (621)         | (525)         |
| Effect of tax rate change  | 140           | (53)          |
| Total tax (credit)/expense   | (22)          | 512           |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

### 10. Earnings/(loss) per share

|  | 2020              |  |                                | 2019              |  |                                |
|--|-------------------|--|--------------------------------|-------------------|--|--------------------------------|
|  | Earnings<br>£'000 | Weighted<br>average<br>number of<br>shares<br>'000 | Per share<br>amount<br>(pence) | Earnings<br>£'000 | Weighted<br>average<br>number of<br>shares<br>'000 | Per share<br>amount<br>(pence) |
| <b>Continuing operations</b>                   |                   |  |                                |                   |  |                                |
| <b>Basic earnings per share</b>                |                   |  |                                |                   |  |                                |
| Earnings attributable to ordinary shareholders | 1,604             | 125,568  | 1.28                           | 4,165             | 125,038  | 3.33                           |
| Dilutive effect of employee share options      | -                 | 2,083  | (0.02)                         | -                 | 3,250  | (0.09)                         |
| <b>Diluted earnings per share</b>              | <b>1,604</b>      | <b>127,651</b>                                     | <b>1.26</b>                    | <b>4,165</b>      | <b>128,288</b>                                     | <b>3.24</b>                    |
| <b>Discontinued operations</b>                 |                   |  |                                |                   |  |                                |
| <b>Basic earnings per share</b>                |                   |  |                                |                   |  |                                |
| Loss attributable to ordinary shareholders     | -                 | 125,568  | -                              | 13                | 125,038  | 0.01                           |
| Dilutive effect of employee share options      | -                 | 2,083  | -                              | -                 | 3,250  | -                              |
| <b>Diluted earnings per share</b>              | <b>-</b>          | <b>127,651</b>                                     | <b>-</b>                       | <b>13</b>         | <b>128,288</b>                                     | <b>0.01</b>                    |
| <b>Total operations</b>                        |                   |  |                                |                   |  |                                |
| <b>Basic earnings per share</b>                |                   |  |                                |                   |  |                                |
| Earnings attributable to ordinary shareholders | 1,604             | 125,568  | 1.28                           | 4,178             | 125,038  | 3.34                           |
| Dilutive effect of employee share options      | -                 | 2,083  | (0.02)                         | -                 | 3,250  | (0.09)                         |
| <b>Diluted earnings per share</b>              | <b>1,604</b>      | <b>127,651</b>                                     | <b>1.26</b>                    | <b>4,178</b>      | <b>128,288</b>                                     | <b>3.25</b>                    |

Basic earnings per share is calculated by dividing the profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares (share options). For share options a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscriptions rights and outstanding share based payment charges attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise price of the share options.

For discontinued operations the outstanding share options are anti-dilutive and therefore there is no difference between the basic and diluted loss per share.

### 11. Discontinued operations

During the year ended 30 September 2016 the decision was taken by the Group to discontinue the OMG Life Group cash generating unit.

#### Result of OMG Life Group

|                                   | 2020<br>£'000 | 2019<br>£'000 |
|-----------------------------------|---------------|---------------|
| Expenses other than finance costs | -             | 21            |
| Tax expense                       | -             | (8)           |
| Loss for the year                 | -             | 13            |

There are no amounts included in the statement of cash flows relating to discontinued operations.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

### 12. Goodwill and intangible fixed assets

| Group                                      | Customer relationships<br>£'000 | Intellectual property<br>£'000 | Development costs<br>£'000 | Goodwill<br>£'000 | Total<br>£'000 |
|--|---------------------------------|--------------------------------|----------------------------|-------------------|----------------|
| <b>Cost</b>                                |                                 |                                |                            |                   |                |
| At 1 October 2019                          | 2,455                           | 3,234                          | 18,819                     | 3,655             | 28,163         |
| Additions                                  | -                               | -                              | 2,511                      | -                 | 2,511          |
| Translation difference                     | 1                               | 1                              | -                          | (26)              | (24)           |
| <b>At 30 September 2020</b>                | <b>2,456</b>                    | <b>3,235</b>                   | <b>21,330</b>              | <b>3,629</b>      | <b>30,650</b>  |
| <b>Amortisation</b>                        |                                 |                                |                            |                   |                |
| At 1 October 2019                          | 1,893                           | 1,340                          | 12,481                     | -                 | 15,714         |
| Charge for the year                        | 312                             | 245                            | 1,753                      | -                 | 2,310          |
| Impairment                                 | -                               | -                              | 72                         | -                 | 72             |
| Translation difference                     | 2                               | 1                              | -                          | -                 | 3              |
| <b>At 30 September 2020</b>                | <b>2,207</b>                    | <b>1,586</b>                   | <b>14,306</b>              | <b>-</b>          | <b>18,099</b>  |
| <b>Net book value at 30 September 2020</b> | <b>249</b>                      | <b>1,649</b>                   | <b>7,024</b>               | <b>3,629</b>      | <b>12,551</b>  |
| Net book value at 30 September 2019        | 562                             | 1,894                          | 6,338                      | 3,655             | 12,449         |

All development costs are internally generated.

| Group                                      | Customer relationships<br>£'000 | Intellectual property<br>£'000 | Development costs<br>£'000 | Goodwill<br>£'000 | Total<br>£'000 |
|--|---------------------------------|--------------------------------|----------------------------|-------------------|----------------|
| <b>Cost</b>                                |                                 |                                |                            |                   |                |
| At 1 October 2018                          | 2,456                           | 3,234                          | 16,623                     | 3,623             | 25,936         |
| Additions                                  | -                               | -                              | 2,196                      | -                 | 2,196          |
| Translation difference                     | (1)                             | -                              | -                          | 32                | 31             |
| <b>At 30 September 2019</b>                | <b>2,455</b>                    | <b>3,234</b>                   | <b>18,819</b>              | <b>3,655</b>      | <b>28,163</b>  |
| <b>Amortisation</b>                        |                                 |                                |                            |                   |                |
| At 1 October 2018                          | 1,580                           | 1,095                          | 10,900                     | -                 | 13,575         |
| Charge for the year                        | 314                             | 245                            | 1,581                      | -                 | 2,140          |
| Translation difference                     | (1)                             | -                              | -                          | -                 | (1)            |
| <b>At 30 September 2019</b>                | <b>1,893</b>                    | <b>1,340</b>                   | <b>12,481</b>              | <b>-</b>          | <b>15,714</b>  |
| <b>Net book value at 30 September 2019</b> | <b>562</b>                      | <b>1,894</b>                   | <b>6,338</b>               | <b>3,655</b>      | <b>12,449</b>  |
| Net book value at 30 September 2018        | 876                             | 2,139                          | 5,723                      | 3,623             | 12,361         |

None of the goodwill included in the tables above has been internally generated.

Current estimates of the remaining useful economic lives of the intangible assets are as follows:

|                        |            |
|------------------------|------------|
| Customer relationships | 0-1 years  |
| Intellectual property  | 6-7 years  |
| Development costs      | 0-10 years |
| Goodwill               | Indefinite |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

### 13. Goodwill and impairment

Details of goodwill allocated to cash generating units for which the amount of goodwill so allocated is significant in comparison to total goodwill is as follows:

|   | Goodwill carrying value |               |
|---|-------------------------|---------------|
|   | 2020<br>£'000           | 2019<br>£'000 |
| <b>Vicon:</b>                             |                         |               |
| Vicon USA cash generating unit (Peak)     | 539                     | 565           |
| Vicon UK cash generating unit (IMeasureU) | 1,076                   | 1,076         |
| <b>Yotta:</b>                             |                         |               |
| Yotta cash generating unit                | 2,014                   | 2,014         |
|   | <b>3,629</b>            | <b>3,655</b>  |

The recoverable amounts of all the CGU's have been determined from value in use calculations based on cash flow projections from formally approved budgets covering the financial years ending 30 September 2021 and 30 September 2022.

The recoverable amount for the CGUs that hold a significant proportion of the Group's overall goodwill balance are as follows:

- Vicon UK (IMeasureU) exceeds its carrying amount by £8.3m (2019: £13.5m); and
- Yotta (previously known as Mayrise) exceeds its carrying amount by £26.5m (2019: £18.1m).

Other major assumptions are as follows (the growth rate applies only to the period beyond the formal budgeted period with the value in use calculation based on the budgeted cash flows up to 30 September 2022 and assumes a perpetuity based terminal value).

|                          | Peak<br>2020<br>% | IMU<br>2020<br>% | Yotta<br>2020<br>% |
|--------------------------|-------------------|------------------|--------------------|
| Pre tax discount rate    | 15.0              | 22.0             | 11.0               |
| Average operating margin | 38.0              | 5.0              | 15.0               |
| Growth rate              | 1.0               | 5.0              | 4.0                |

  

|                          | Peak<br>2019<br>% | IMU<br>2019<br>% | Yotta<br>2019<br>% |
|--------------------------|-------------------|------------------|--------------------|
| Pre tax discount rate    | 12.2              | 12.4             | 12.2               |
| Average operating margin | 45.2              | 34.4             | 6.5                |
| Growth rate              | 1.0               | 11.2             | 4.0                |

Operating margins have been based on past experience and future expectations in the light of anticipated economic and market conditions. Discount rates are based on the Group's WACC adjusted to reflect management's assessment of specific risks related to the cash generating unit. Growth rates beyond the formally budgeted period are based on economic data pertaining to the region concerned.

A sensitivity analysis has been performed to establish how a change in the key assumptions would impact the value in use. All discount rates would have to move significantly in order for the carrying values to be impaired. A growth rate of 0% would not result in any of the carrying values being impaired. The operating margins would have to move significantly in order for goodwill carrying values to be impaired.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

### 14. Property, plant and equipment

| Group                                      | Computers<br>and<br>equipment<br>£'000 | Furniture<br>and<br>fixtures<br>£'000 | Demonstration<br>equipment<br>£'000 | Leasehold<br>improvements<br>£'000 | Total<br>£'000 |
|--|--|---------------------------------------|-------------------------------------|------------------------------------|----------------|
| <b>Cost</b>                                |  |                                       |                                     |                                    |                |
| At 1 October 2019                          | 2,489                                  | 425                                   | 742                                 | 1,527                              | 5,183          |
| Additions                                  | 171                                    | 2                                     | 77                                  | 60                                 | 310            |
| Disposals                                  | (221)                                  | (3)                                   | (28)                                | (198)                              | (450)          |
| Translation differences                    | (10)                                   | (1)                                   | (10)                                | -                                  | (21)           |
| <b>At 30 September 2020</b>                | <b>2,429</b>                           | <b>423</b>                            | <b>781</b>                          | <b>1,389</b>                       | <b>5,022</b>   |
| <b>Depreciation</b>                        |  |                                       |                                     |                                    |                |
| At 1 October 2019                          | 2,019                                  | 262                                   | 110                                 | 512                                | 2,903          |
| Charge for the year                        | 309                                    | 55                                    | 26                                  | 220                                | 610            |
| Disposals                                  | (215)                                  | (3)                                   | (2)                                 | (197)                              | (417)          |
| Translation differences                    | (7)                                    | (1)                                   | (3)                                 | -                                  | (11)           |
| <b>At 30 September 2020</b>                | <b>2,106</b>                           | <b>313</b>                            | <b>131</b>                          | <b>535</b>                         | <b>3,085</b>   |
| <b>Net book value at 30 September 2020</b> | <b>323</b>                             | <b>110</b>                            | <b>650</b>                          | <b>854</b>                         | <b>1,937</b>   |
| Net book value at 30 September 2019        | 470                                    | 163                                   | 632                                 | 1,015                              | 2,280          |

| Group                                      | Computers<br>and<br>equipment<br>£'000 | Furniture<br>and<br>fixtures<br>£'000 | Demonstration<br>equipment<br>£'000 | Leasehold<br>improvements<br>£'000 | Total<br>£'000 |
|--|--|---------------------------------------|-------------------------------------|------------------------------------|----------------|
| <b>Cost</b>                                |  |                                       |                                     |                                    |                |
| At 1 October 2018                          | 2,251                                  | 419                                   | 606                                 | 1,837                              | 5,113          |
| Additions                                  | 231                                    | 5                                     | 210                                 | 21                                 | 467            |
| Disposals                                  | (4)                                    | -                                     | (85)                                | (332)                              | (421)          |
| Translation differences                    | 11                                     | 1                                     | 11                                  | 1                                  | 24             |
| <b>At 30 September 2019</b>                | <b>2,489</b>                           | <b>425</b>                            | <b>742</b>                          | <b>1,527</b>                       | <b>5,183</b>   |
| <b>Depreciation</b>                        |  |                                       |                                     |                                    |                |
| At 1 October 2018                          | 1,708                                  | 170                                   | 75                                  | 664                                | 2,617          |
| Charge for the year                        | 308                                    | 92                                    | 41                                  | 180                                | 621            |
| Disposals                                  | (2)                                    | -                                     | (8)                                 | (332)                              | (342)          |
| Translation differences                    | 5                                      | -                                     | 2                                   | -                                  | 7              |
| <b>At 30 September 2019</b>                | <b>2,019</b>                           | <b>262</b>                            | <b>110</b>                          | <b>512</b>                         | <b>2,903</b>   |
| <b>Net book value at 30 September 2019</b> | <b>470</b>                             | <b>163</b>                            | <b>632</b>                          | <b>1,015</b>                       | <b>2,280</b>   |
| Net book value at 30 September 2018        | 543                                    | 249                                   | 531                                 | 1,173                              | 2,496          |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

| <b>Company</b>                             | <b>Computers<br/>and equipment<br/>£'000</b> |
|--|--|
| <b>Cost</b>                                |  |
| At 1 October 2019                          | 214  |
| Additions                                  | 11   |
| Disposals                                  | (70)   |
| <b>At 30 September 2020</b>                | <b>155</b>                                   |
| <b>Depreciation</b>                        |  |
| At 1 October 2018                          | 177  |
| Charge for the year                        | 18   |
| Disposals                                  | (70)   |
| <b>At 30 September 2020</b>                | <b>125</b>                                   |
| <b>Net book value at 30 September 2020</b> | <b>30</b>                                    |
| Net book value at 30 September 2019        | 37   |

| <b>Company</b>                             | <b>Computers<br/>and equipment<br/>£'000</b> |
|--|--|
| <b>Cost</b>                                |  |
| At 1 October 2018                          | 196  |
| Additions                                  | 29   |
| Transfer to subsidiary undertaking         | (7)  |
| Disposals                                  | (4)  |
| <b>At 30 September 2019</b>                | <b>214</b>                                   |
| <b>Depreciation</b>                        |  |
| At 1 October 2018                          | 167  |
| Charge for the year                        | 12   |
| Disposals                                  | (2)  |
| <b>At 30 September 2019</b>                | <b>177</b>                                   |
| <b>Net book value at 30 September 2019</b> | <b>37</b>                                    |
| Net book value at 30 September 2018        | 29   |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

### 15. Leases

All leases comprise only fixed payments over the lease term.

#### Right of use assets

| Group                       | Land and buildings<br>£'000 | Motor Vehicles<br>£'000 | Total<br>£'000 |
|-----------------------------|-----------------------------|-------------------------|----------------|
| <b>At 1 October 2019</b>    | 2,521                       | 11                      | 2,532          |
| Additions                   | 179                         | 18                      | 197            |
| Depreciation                | (523)                       | (5)                     | (528)          |
| Translation differences     | (19)                        | -                       | (19)           |
| <b>At 30 September 2020</b> | <b>2,158</b>                | <b>24</b>               | <b>2,182</b>   |

#### Lease liabilities

| Group                       | Land and buildings<br>£'000 | Motor Vehicles<br>£'000 | Total<br>£'000 |
|-----------------------------|-----------------------------|-------------------------|----------------|
| <b>At 1 October 2019</b>    | 2,740                       | 11                      | 2,751          |
| Additions                   | 179                         | 18                      | 197            |
| Interest expense            | 100                         | 1                       | 101            |
| Lease payments              | (688)                       | (7)                     | (695)          |
| Translation differences     | (19)                        | -                       | (19)           |
| <b>At 30 September 2020</b> | <b>2,312</b>                | <b>23</b>               | <b>2,335</b>   |

The maturity analysis of lease liabilities at 30 September 2020 is as follows:

| Group               | Lease liabilities<br>£'000 |
|---------------------|----------------------------|
| Up to 3 months      | 12                         |
| Between 3-12 months | 32                         |
| Between 1-2 years   | 124                        |
| Between 2-5 years   | 205                        |
| Over 5 years        | 1,962                      |
|                     | <b>2,335</b>               |

The Group sometimes negotiates break clauses in its property leases. On a case by case basis, the Group will consider whether the absence of a break clause would expose the Group to excessive risk. Typically, factors considered in deciding to negotiate a break clause include:

- The length of the lease term; and
- The economic stability of the environment in which the property is located.

At 1 October 2019 and 30 September 2020 the carrying amount of lease liabilities are reduced by the amount of payments that would be avoided from exercising break clauses because on both dates it was not considered reasonably certain that the Group would not exercise its right to break the leases.

At 30 September 2020 the total future minimum sublease payments expected to be received under non - cancellable subleases was £45,000 (2019: £89,000).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

### 16. Investments

|  | Group<br>2020<br>£'000 | Group<br>2019<br>£'000 | Company<br>2020<br>£'000 | Company<br>2019<br>£'000 |
|--|------------------------|------------------------|--------------------------|--------------------------|
| <b>Shares in subsidiary undertakings – cost</b>      |                        |                        |                          |                          |
| At 1 October as previously stated                    | -                      | -                      | 14,537                   | 13,995                   |
| Share based payment prior year adjustment            | -                      | -                      | -                        | 419                      |
| At 1 October as restated                             | -                      | -                      | 14,537                   | 14,414                   |
| Capital contribution                                 | -                      | -                      | 58                       | 123                      |
| Impairment   | -                      | -                      | (98)                     | -                        |
| <b>At 30 September</b>                               | -                      | -                      | <b>14,497</b>            | <b>14,537</b>            |
| <b>Investment in associate – equity accounted</b>    |                        |                        |                          |                          |
| At 1 October   | 29                     | 88                     | 29                       | 88                       |
| Share of post-tax loss of equity accounted associate | (29)                   | (59)                   | (29)                     | (59)                     |
| <b>At 30 September</b>                               | -                      | 29                     | -                        | 29                       |
| <b>Other investments – cost and fair value</b>       |                        |                        |                          |                          |
| At 1 October   | 69                     | 69                     | 69                       | 69                       |
| Addition   | 236                    | -                      | 236                      | -                        |
| <b>At 30 September</b>                               | <b>305</b>             | 69                     | <b>305</b>               | 69                       |
| <b>Total financial assets - investments</b>          | <b>305</b>             | 98                     | <b>14,802</b>            | 14,635                   |

Details of the Company's undertakings, all of which are wholly owned and included within the consolidated financial statements, are as follows:

| Name of entity               | Principal activity  | Country of incorporation | Registered office   |
|------------------------------|---|--------------------------|---|
| Vicon Motion Systems Limited | Development, production and sale of computer software and equipment | England                  | 6 Oxford Industrial Park, Yarnton, Oxfordshire, OX5 1QU                                   |
| Yotta Limited                | Provision of computer software, hardware and maintenance contracts  | England                  | 6 Oxford Industrial Park, Yarnton, Oxfordshire, OX5 1QU                                   |
| Mayrise Services Limited     | Dormant holding company   | England                  | 6 Oxford Industrial Park, Yarnton, Oxfordshire, OX5 1QU                                   |
| Mayrise Systems Limited*     | Dormant holding company   | England                  | 6 Oxford Industrial Park, Yarnton, Oxfordshire, OX5 1QU                                   |
| Yotta Pty Limited*           | Provision of computer software, hardware and maintenance contracts  | Australia                | Allan Hall Business Advisors Pty Ltd, Suite 126, 117 Old Pittwater Rd, Brookvale NSW 2100 |
| OMG Life Limited             | Non trading company   | England                  | 6 Oxford Industrial Park, Yarnton, Oxfordshire, OX5 1QU                                   |



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

| Name of entity              | Principal activity                                      | Country of incorporation | Registered office  |
|-----------------------------|---|--------------------------|--|
| Vicon Motion Systems, Inc.* | Sales, marketing and customer support                   | USA                      | 7388 South Revere Parkway, Suite 901, Centennial, Colorado |
| IMeasureU Limited*          | Development and sale of computer software and equipment | New Zealand              | 5 Water Street, Grafton, Auckland, 1023, New Zealand       |
| OMG, Inc.                   | Non trading company                                     | USA                      | 7388 South Revere Parkway, Suite 901, Centennial, Colorado |
| IMeasureU, Inc.*            | Development and sale of computer software and equipment | USA                      | 7388 South Revere Parkway, Suite 901, Centennial, Colorado |
| IMeasureU Limited*          | Sale of computer software and equipment                 | England                  | 6 Oxford Industrial Park, Yarnton, Oxfordshire, OX5 1QU    |
| Oxford Metrics Limited      | Non trading company                                     | Ireland                  | 6th floor South Bank House, Barrow street, Dublin 4        |

\*Investment held indirectly.

IMeasureU Limited, incorporated in England, is exempt from the requirements of the Companies Act relating to the audit of individual accounts by virtue of Section 479A.

### Equity investments

During the year ended 30 September 2005 the Company acquired 12% of the equity in a business start-up incorporated in Germany in return for a capital injection of €100,000 (£69,000). This investment is stated at fair value through profit or loss, which is not materially different to cost.

During the year ended 30 September 2020 the Company acquired 3% of the equity in a business start-up incorporated in the US in return for a total consideration of \$300,000 (£236,000). This investment is stated at fair value through profit or loss, which is not materially different to cost.

There were no movements in fair value during the year ended 30 September 2020 or 2019.

### Investment in Associate

During the year ended 30 September 2017 the Company acquired 25% of the ordinary share capital of Pimloc Limited, an equity accounted associate incorporated in England, whose registered office is 6 Oxford Industrial Park, Yarnton, Oxfordshire, OX5 1QU.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

### 17. Inventories

|                 | <b>Group<br/>2020<br/>£'000</b> | Group<br>2019<br>£'000 | <b>Company<br/>2020<br/>£'000</b> | Company<br>2019<br>£'000 |
|-----------------|---------------------------------|------------------------|-----------------------------------|--------------------------|
| Finished goods  | <b>2,097</b>                    | 1,869                  | -                                 | -                        |
| Component parts | <b>1,342</b>                    | 1,367                  | -                                 | -                        |
|                 | <b>3,439</b>                    | 3,236                  | -                                 | -                        |

The cost of inventories recognised as an expense and included in cost of sales is £5,999,000 (2019: £7,298,000).

During the year £444,000 of inventories were impaired (2019: £53,000). Inventories written off and included within cost of sales were £nil (2019:£58,000).

### 18. Trade and other receivables

|   | <b>Group<br/>2020<br/>£'000</b> | Group<br>2019<br>£'000 | <b>Company<br/>2020<br/>£'000</b> | Company<br>2019<br>£'000 |
|---|---------------------------------|------------------------|-----------------------------------|--------------------------|
| Trade receivables                             | <b>7,656</b>                    | 9,614                  | -                                 | -                        |
| Provision for impairment of trade receivables | <b>(110)</b>                    | -                      | -                                 | -                        |
| Net trade receivables                         | <b>7,546</b>                    | 9,614                  | -                                 | -                        |
| Amounts owed by other Group undertakings      | -                               | -                      | <b>5,918</b>                      | 8,956                    |
| Other debtors                                 | <b>65</b>                       | 306                    | <b>43</b>                         | 9                        |
| Prepayments and accrued income                | <b>1,613</b>                    | 1,767                  | <b>212</b>                        | 190                      |
|   | <b>9,224</b>                    | 11,687                 | <b>6,173</b>                      | 9,155                    |

Amounts owed by other Group undertakings are repayable on demand and do not carry interest (see note 30).

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk and ageing. The contract assets have similar risk characteristics to the trade receivables for similar types of contracts.

The expected loss rates are based on the Group's historical credit losses experienced over the three year period prior to the period end. The historical loss rates are then adjusted for current and forward looking information on macroeconomic factors affecting the Group's customers.

The expected loss rates are based on the Group's historical credit losses experienced over the three year period prior to 30 September 2020. The ageing categories used for the provision matrix are: current, up to 30 days past due, 31 to 60 days past due, 61 to 90 days past due, and more than 90 days past due. The historical loss rates are then adjusted for current and forward looking information on macroeconomic factors affecting the Group's customers. At 30 September 2019 the lifetime expected credit loss for trade receivables and contract assets was immaterial to the Group.

The carrying amounts of the Group and Company's trade and other receivables are denominated in the following currencies:

|            | <b>Group<br/>2020<br/>£'000</b> | Group<br>2019<br>£'000 | <b>Company<br/>2020<br/>£'000</b> | Company<br>2019<br>£'000 |
|------------|---------------------------------|------------------------|-----------------------------------|--------------------------|
| Sterling   | <b>6,319</b>                    | 6,582                  | <b>6,173</b>                      | 9,074                    |
| Euro       | <b>123</b>                      | 245                    | -                                 | -                        |
| US Dollar  | <b>2,567</b>                    | 4,705                  | -                                 | -                        |
| NZ Dollar  | <b>60</b>                       | 35                     | -                                 | 81                       |
| AUS Dollar | <b>155</b>                      | 120                    | -                                 | -                        |
|            | <b>9,224</b>                    | 11,687                 | <b>6,173</b>                      | 9,155                    |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

Movements in the provision for impairment of trade receivables are as follows:

|                          | <b>Group<br/>2020<br/>£'000</b> | Group<br>2019<br>£'000 | <b>Company<br/>2020<br/>£'000</b> | Company<br>2019<br>£'000 |
|--------------------------|---------------------------------|------------------------|-----------------------------------|--------------------------|
| At 1 October             | -                               | -                      | -                                 | -                        |
| Credited during the year | <b>110</b>                      | -                      | -                                 | -                        |
| At 30 September          | <b>110</b>                      | -                      | -                                 | -                        |

The movement on the provision for impairment of trade receivables has been included in administrative expenses in the income statement.

Other classes of financial assets included within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each receivable set out above.

### 19. Trade and other payables

|                                       | <b>Group<br/>2020<br/>£'000</b> | Group<br>2019<br>£'000 | <b>Company<br/>2020<br/>£'000</b> | Company<br>2019<br>£'000 |
|---------------------------------------|---------------------------------|------------------------|-----------------------------------|--------------------------|
| Trade payables                        | <b>2,004</b>                    | 2,935                  | <b>85</b>                         | 41                       |
| Amounts payable to Group undertakings | -                               | -                      | <b>2,626</b>                      | 5,522                    |
| Social security and other taxes       | <b>246</b>                      | 277                    | -                                 | -                        |
| Other creditors                       | <b>847</b>                      | 310                    | -                                 | -                        |
| Contingent consideration payable      | -                               | 128                    | -                                 | -                        |
| Corporation tax                       | -                               | -                      | -                                 | -                        |
| Accruals                              | <b>1,593</b>                    | 2,175                  | <b>367</b>                        | 358                      |
| Deferred income                       | <b>5,241</b>                    | 4,908                  | -                                 | -                        |
|                                       | <b>9,931</b>                    | 10,733                 | <b>3,078</b>                      | 5,921                    |

The contingent consideration payable in the prior year relates to the acquisition of IMeasureU Limited.

Amounts payable to Group undertakings are payable on demand and do not carry interest.

### 20. Financial instruments

The Group and Company's financial instruments comprise cash and short term deposits, debtors and creditors that arise directly from its operations. The risks associated with these financial instruments and the Group's policies for managing those risks are outlined below.

#### Interest rate risk of financial assets

Surplus cash funds are deposited with UK clearing banks on a short term basis for periods of less than three months. The interest rates earned (all of which are variable throughout the year) are compared with those available from other financial institutions of comparable credit status.

The rate of interest earned during the year on cash deposits was 0.19% (2019: 0.24%).

|                                | 2020          |               |               |               |                |                | 2019         |               |               |               |                |                |
|--------------------------------|---------------|---------------|---------------|---------------|----------------|----------------|--------------|---------------|---------------|---------------|----------------|----------------|
|                                | GBP<br>£'000  | Euro<br>£'000 | US\$<br>£'000 | NZ\$<br>£'000 | AUS\$<br>£'000 | Total<br>£'000 | GBP<br>£'000 | Euro<br>£'000 | US\$<br>£'000 | NZ\$<br>£'000 | AUS\$<br>£'000 | Total<br>£'000 |
| Group cash at bank and in hand | <b>10,979</b> | <b>186</b>    | <b>3,550</b>  | <b>79</b>     | <b>146</b>     | <b>14,940</b>  | 9,533        | 319           | 3,829         | 109           | 47             | 13,837         |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

All of the Company's cash at bank and in hand in the current and prior year is held in GBP.

Management considers a 0.75 basis point move in interest rates to be reasonably possible. If the interest rates in effect during the year had moved by plus or minus 0.75 basis points and all other variables held constant the Group's profit for the year ended 30 September 2020 would decrease by £20,000/increase by £77,000 (2019: decrease by £22,000/increase by £71,000). There would be no impact on other equity reserves.

As disclosed in note 16 the Group has equity investments of £305,000 (2019: £69,000) denominated in Euros and US dollars. These investments are measured at fair value through profit or loss in the Statement of Financial Position with movements in fair value recognised in the Consolidated Income Statement.

The Group and Company do not have any longer term foreign currency cash holdings.

### **Borrowing facilities**

The Group and Company have no borrowings.

The Group operates a Multi-Currency Balance Management Arrangement between certain Group companies. This arrangement may result in individual accounts of certain entities showing debit balances. However, due to the arrangements in place, such debit balances do not incur interest charges and the Group position must always result in a net deposit balance as there is no borrowing facility. Therefore, such accounts are presented net as cash and cash equivalents on the face of the Consolidated and Company Statement of Financial Position.

### **Risk management**

The Group is exposed through its activities to the following financial risks:

#### *Liquidity risk*

At 30 September 2020 the Group's cash and short term deposits amounted to £14,940,000 (2019: £13,837,000). The Group had no financial borrowing obligations.

All financial liabilities are due within five years.

Management does not consider liquidity to be a key risk.

#### *Credit risk*

Sales are made on a basis designed to minimise so far as possible the risk of non-payment in each case. Balances owing from customers are reviewed at least monthly, and action is taken where considered appropriate with a view to achieving timely settlement, see note 18.

The Group and Company are continually reviewing the credit risk associated with holding money on deposit in banks and seek to mitigate this risk by spreading deposits between banks with high credit status.

#### *Foreign currency risk*

The Group's foreign exchange transaction exposure arises principally in the UK subsidiaries from trading with US subsidiary undertakings and third parties in Europe and the Far East. The Group's policy is to reduce exposure to revaluation of monetary assets and liabilities. Under the policy, assets and liabilities held in currencies other than a Company's functional currency are minimised through intercompany trading.

The Group considers the volatility of currency markets over the year to be representative of the potential foreign currency risk it is exposed to. The main currency the Group's results were exposed to at the year end was the US dollar and over the year the volatility of this currency was 8.8% (2019: 8.2%). If Sterling had strengthened against the dollar at year end by 10% it would have increased the Group profit by £272,000 (2019: increased Group profit by £213,000). If Sterling had weakened against the dollar at year end by 10% it would have decreased the Group profit by £332,000 (2019: decreased Group profit by £260,000).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

The table below shows the extent to which Group companies have monetary assets/(liabilities) in currencies other than their local currency.

| Functional currency of operation: | 2020              |               |               |               |                |
|-----------------------------------|-------------------|---------------|---------------|---------------|----------------|
|                                   | Sterling<br>£'000 | US\$<br>£'000 | NZ\$<br>£'000 | Euro<br>£'000 | Total<br>£'000 |
| Sterling                          | -                 | (304)         | (570)         | 209           | (665)          |
| US dollar                         | 4,084             | -             | -             | -             | 4,084          |
| NZ dollar                         | (2,006)           | (18)          | -             | -             | (2,024)        |

  

| Functional currency of operation: | 2019              |               |               |               |                |
|-----------------------------------|-------------------|---------------|---------------|---------------|----------------|
|                                   | Sterling<br>£'000 | US\$<br>£'000 | NZ\$<br>£'000 | Euro<br>£'000 | Total<br>£'000 |
| Sterling                          | -                 | (2,175)       | 27            | 413           | (1,735)        |
| US dollar                         | 4,084             | -             | -             | -             | 4,084          |
| NZ dollar                         | (1,211)           | (17)          | -             | -             | (1,228)        |

### Fair value of financial assets and financial liabilities

#### Fair value measurement

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value. The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

*Level 1:* Quoted prices in active markets for identical items (unadjusted)

*Level 2:* Observable direct or indirect inputs other than Level 1 inputs

*Level 3:* Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures some items at fair value which are all classified as Level 3:

- Equity investment (note 16);
- Contingent consideration payable (note 19).

The Group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

In the prior year the contingent consideration payable on the purchase of IMeasureU Ltd has been discounted at a rate of 35% and translated into Sterling at the spot rate at 30 September 2019. If management's estimate of the applicable discount rate differed by 1% the fair value of the deferred consideration would increase/decrease by £nil at 30 September 2019. If the spot rate at 30 September 2019 had increased by 10% the fair value of the deferred consideration payable at that date would have decreased by £12,000 with a corresponding increase in the profit for the year ended 30 September 2019. If the spot rate at 30 September 2019 had decreased by 10% the fair value of the deferred consideration payable at that date would have increased by £14,000 with a corresponding decrease in the profit for the year ended 30 September 2019.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.

Where applicable, cost is deemed not to be materially different to fair value in the Board's opinion in determining carrying value of financial assets and liabilities.

The carrying value of the Group and Company's financial assets and liabilities is as follows:

|  | <b>Group<br/>2020<br/>£'000</b> | Group<br>2019<br>£'000 | <b>Company<br/>2020<br/>£'000</b> | Company<br>2019<br>£'000 |
|--|---------------------------------|------------------------|-----------------------------------|--------------------------|
| <b>Financial assets</b>                  |                                 |                        |                                   |                          |
| <b>Amortised cost</b>                    |                                 |                        |                                   |                          |
| Trade receivables                        | 7,546                           | 9,614                  | -                                 | -                        |
| Other debtors                            | 59                              | 32                     | -                                 | -                        |
| Accrued income                           | 411                             | 850                    | -                                 | -                        |
| Cash and cash equivalents                | 14,940                          | 13,837                 | 5,049                             | 4,700                    |
| <b>Fair value through profit or loss</b> |                                 |                        |                                   |                          |
| Equity investment                        | 305                             | 69                     | 305                               | 69                       |
| <b>At 30 September</b>                   | <b>23,261</b>                   | 24,402                 | <b>5,354</b>                      | 4,769                    |

|  | <b>Group<br/>2020<br/>£'000</b> | Group<br>2019<br>£'000 | <b>Company<br/>2020<br/>£'000</b> | Company<br>2019<br>£'000 |
|--|---------------------------------|------------------------|-----------------------------------|--------------------------|
| <b>Financial liabilities</b>             |                                 |                        |                                   |                          |
| <b>Amortised cost</b>                    |                                 |                        |                                   |                          |
| Trade payables                           | 2,004                           | 2,935                  | 85                                | 41                       |
| Provision                                | 24                              | 16                     | -                                 | -                        |
| Accruals                                 | 1,593                           | 2,175                  | 367                               | 358                      |
| <b>Fair value through profit or loss</b> |                                 |                        |                                   |                          |
| Contingent consideration payable         | -                               | 128                    | -                                 | -                        |
| <b>At 30 September</b>                   | <b>3,621</b>                    | 5,254                  | <b>452</b>                        | 399                      |

### Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders.

The Group considers its capital to comprise ordinary share capital, shares to be issued, share premium and accumulated retained earnings. The foreign currency translation reserve and cash flow hedging reserve are not considered capital. There have been no changes in what the Group considers to be capital from the prior year.

In order to maintain or adjust its working capital at an acceptable level and meet strategic investment needs, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or sell assets.

The Group does not seek to maintain any debt to capital ratio, but will consider investment opportunities on their merits and fund them in the most effective manner.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

### 21. Deferred tax

|   | Group<br>Deferred<br>tax asset<br>£'000 | Group<br>Deferred tax<br>liability<br>£'000 | Company<br>Deferred<br>tax asset<br>£'000 | Company<br>Deferred tax<br>liability<br>£'000 |
|---|---|---|---|---|
| At 1 October 2018                         | 230                                     | (1,777)                                     | 143                                       | -   |
| Credited to the income statement (note 9) | 43                                      | (8)   | 20  | -   |
| Charged directly to equity                | 132                                     | (12)  | 87  | -   |
| <b>At 30 September 2019</b>               | <b>405</b>                              | <b>(1,797)</b>                              | <b>250</b>                                | <b>-</b>                                      |
| Charged to the income statement (note 9)  | 560                                     | (208)                                       | 12  | -   |
| Charged directly to equity                | 9                                       | 11  | 36  | -   |
| <b>At 30 September 2020</b>               | <b>974</b>                              | <b>(1,994)</b>                              | <b>298</b>                                | <b>-</b>                                      |

Amounts charged directly to equity relate to movements in deferred tax balances arising on employee share options and foreign exchange movements.

The following table summarises the provided tax asset and liability.

|  | Group<br>2020<br>£'000 | Group<br>2019<br>£'000 | Company<br>2020<br>£'000 | Company<br>2019<br>£'000 |
|--|------------------------|------------------------|--------------------------|--------------------------|
| <b>Recognised – asset</b>                        |                        |                        |                          |                          |
| Depreciation in excess of capital allowances     | 22                     | 10                     | 4                        | 4                        |
| Tax relief on unexercised employee share options | 386                    | 366                    | 294                      | 246                      |
| Unrelieved losses carried forward                | 497                    | -                      | -                        | -                        |
| Short term timing differences                    | 69                     | 29                     | -                        | -                        |
|  | <b>974</b>             | <b>405</b>             | <b>298</b>               | <b>250</b>               |
| <b>Recognised – liability</b>                    |                        |                        |                          |                          |
| Recognition of intangible asset                  | (523)                  | (582)                  | -                        | -                        |
| Capital allowances in excess of depreciation     | (1,471)                | (1,215)                | -                        | -                        |
|  | <b>(1,994)</b>         | <b>(1,797)</b>         | <b>-</b>                 | <b>-</b>                 |

Deferred tax assets and liabilities have been measured on an undiscounted basis at an effective tax rate of 19% and 25% (30 September 2019: 17% and 25%) in the UK and USA, respectively. As at 30 September 2020, the Group has un-provided deferred tax assets of £861,000 arising on unrelieved trading losses for which recoverability is not certain (2019: £787,000). The gross amount of these losses is £4,025,000 (2019: £3,962,000).

### 22. Other liabilities

|                 | Group<br>2020<br>£'000 | Group<br>2019<br>£'000 | Company<br>2020<br>£'000 | Company<br>2019<br>£'000 |
|-----------------|------------------------|------------------------|--------------------------|--------------------------|
| Deferred income | 609                    | 462                    | -                        | -                        |

The deferred income above relates to revenue from support contracts which cover a period of more than 12 months from 30 September 2020.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

### 23. Provisions

|  | Group<br>£'000 | Company<br>£'000 |
|--|----------------|------------------|
| <b>At 1 October 2019</b>                               | <b>16</b>      | -                |
| Credited to income statement – leasehold dilapidations | 8              | -                |
| <b>At 30 September 2020</b>                            | <b>24</b>      | -                |

Leasehold dilapidations relate to the estimated cost of returning the Group's leasehold properties to their original state at the end of the lease in accordance with the lease terms.

### 24. Share capital

|   | 2020<br>£'000 | 2019<br>£'000 |
|---|---------------|---------------|
| <b>Allotted, called up and fully paid</b>                       |               |               |
| 125,734,658 shares of 0.25p (2019: 125,138,130 shares of 0.25p) | <b>314</b>    | 313           |

During the year ended 30 September 2020 568,279 shares (2019: 197,194 shares) were issued relating to share options that were exercised. In addition 28,249 shares (2019: 35,461 shares) were issued to the non-executive chairman, Roger Parry, in satisfaction of salary.

At 30 September 2020 options were outstanding over 4,681,000 ordinary shares of 0.25p each (2019: 5,289,278) including those held by directors as follows:

| Number of shares<br>over which options granted | Exercise price | Exercise period                |
|--|----------------|--------------------------------|
| 1,800,000                                      | 0.00p          | December 2019 to December 2026 |
| 50,000   | 33.12p         | March 2015 to March 2022       |
| 2,831,000                                      | 59.06p         | September 2019 to July 2027    |

Details of directors' interests in share options are shown in the Report on Remuneration.

The market price of the ordinary shares at 30 September 2020 was 82.50p (2019: 89.00p) and the range during the year was 71.00p to 125.50p (2019: 64.00p to 98.49p). Shares to be issued are detailed in the Statement of Changes in Equity.

### 25. Share based payments

The Group operates a number of share based remuneration schemes for employees introduced in 2001. Under these schemes the board can grant options over shares in the Company to employees of the Group. Options are granted with a fixed exercise price equal to the market price of the shares under option at the date of grant. The contractual life of an option is 10 years. Awards under the share based remuneration schemes are generally reserved for employees at senior management level and above.

Options granted under the share based remuneration schemes generally vest proportionally over time which is typically a period of 3 years from the date of grant. Exercise of an option is subject to continued employment. Options were valued using the Monte-Carlo option-pricing model. No performance conditions were included in the fair value calculations, except for market related conditions.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

A reconciliation of option movements over the year to 30 September 2020 is shown below:

|                             | 2020           |   | 2019           |   |
|-----------------------------|----------------|---|----------------|---|
|                             | Number<br>'000 | Weighted<br>average<br>exercise<br>price<br>(pence) | Number<br>'000 | Weighted<br>average<br>exercise<br>price<br>(pence) |
| Outstanding at 1 October    | 5,289          | 38.45   | 5,901          | 39.74   |
| Exercised                   | 568            | 56.60   | 197            | 33.77   |
| Forfeited                   | 40             | 59.06   | 415            | 59.06   |
| Outstanding at 30 September | 4,681          | 36.07   | 5,289          | 38.45   |
| Exercisable at 30 September | 2,956          | 40.64   | 1,799          | 57.56   |

The weighted average share price at the date of exercise for options exercised during the year ended 30 September 2020 was 97.58p (2019: 83.26p).

### Share options outstanding at the year end

| Range of<br>exercise<br>prices<br>(pence) | 2020  |                             |  | 2019  |                             |  |
|---|---|-----------------------------|--|---|-----------------------------|--|
|   | Weighted<br>average<br>exercise<br>price<br>(pence) | Number of<br>shares<br>'000 | Weighted<br>average<br>contractual<br>remaining<br>life<br>(years) | Weighted<br>average<br>exercise<br>price<br>(pence) | Number of<br>shares<br>'000 | Weighted<br>average<br>contractual<br>remaining<br>life<br>(years) |
| 0.00                                      | 0.00  | 1,800                       | 6  | 0.00  | 1,800                       | 7  |
| 33.12                                     | 33.12   | 50                          | 1  | 33.12   | 50                          | 2  |
| 35.43                                     | 35.43   | -                           | -  | 35.43   | 59                          | 5  |
| 59.06                                     | 59.06   | 2,831                       | 7  | 59.06   | 3,380                       | 8  |

The total charge for the year relating to employee share based payment plans was £135,000 (2019: £264,000), all of which related to equity-settled share based payment transactions.

There were no options granted in the year ended 30 September 2020 or 30 September 2019.

Details of directors' interests in share options are shown in the Report on Remuneration.

### 26. Movement in reserves

The movement in reserves are disclosed fully within the Consolidated and Company Statement of Changes in Equity on page 29. The description of the nature and purpose of each reserve within owner's equity is as follows:

| Reserve                      | Description and purpose   |
|------------------------------|---|
| Share capital                | Amount subscribed for share capital at nominal value.   |
| Shares to be issued          | Shares to be issued to Bartle Bogle Hegarty in exchange for services received.                |
| Share premium account        | Amount subscribed for share capital in excess of nominal value.                               |
| Foreign currency translation | Gains/losses arising on retranslation of the net assets of overseas operations into sterling. |
| Retained earnings            | Cumulative net gains and losses recognised in the consolidated income statement.              |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

### 27. Pensions

The Company operates a defined contribution pension scheme for the benefit of the UK employees. The assets of the scheme are administered by trustees in a fund independent from those of the Group. The amount charged under this scheme to the income statement during the year was £534,000 (2019: £504,000).

Pension contributions are also paid for the benefit of US employees under the 401k savings plan scheme, a US government savings scheme. The amount charged under this scheme to the income statement during the year was £73,000 (2019: £78,000).

### 28. Government grants

During the year £163,000 (2019: £202,000) of Government grants were recognised in the income statement. These grants significantly relate to funding for research projects.

There are no unfulfilled conditions or other contingencies attached to the government grants recognised in the current or prior periods.

### 29. Dividends

|  | 2020         | 2019  |
|--|--------------|-------|
|  | £'000        | £'000 |
| <b>Equity – ordinary</b>                       |              |       |
| Final 2018 paid in 2019 (1.50 pence per share) | -            | 1,875 |
| Special paid in 2019 (1.00 pence per share)    | -            | 1,250 |
| Final 2019 paid in 2020 (1.80 pence per share) | <b>2,253</b> | -     |
|  | <b>2,253</b> | 3,125 |

The directors are proposing a final dividend in respect of the financial year ended 30 September 2020 of 1.80 pence per share (2019: 1.80 pence per share) which will absorb an estimated £2,263,000 of shareholders' funds. This dividend will be paid on 5 March 2021 to shareholders who are on the register of members at close of business on 11 December 2020 subject to approval at the AGM. These dividends have not been accrued in these financial statements.

### 30. Related party transactions

The key management personnel are deemed to be the directors. During the year short term employee benefits of £1,013,000 (2019: £898,000) were paid to the directors. In addition share based payments of £69,000 (2019: £124,000) were charged to the income statement in respect of share options held by the directors. For further information see note 8.

The Company has outstanding balances and transactions with its subsidiaries as set out below:

|  | Outstanding balances |         | Transactions in year |         |
|--|----------------------|---------|----------------------|---------|
|  | 2020                 | 2019    | 2020                 | 2019    |
|  | £'000                | £'000   | £'000                | £'000   |
| Vicon Motion Systems Limited             | <b>1,068</b>         | 5,506   | <b>(4,438)</b>       | (4,419) |
| Vicon Motion Systems, Inc                | <b>(1,331)</b>       | (1,924) | <b>593</b>           | (2,588) |
| Yotta Limited (formerly Mayrise Limited) | <b>4,850</b>         | 3,442   | <b>1,408</b>         | (2,250) |
| Mayrise Systems Limited                  | -                    | -       | -                    | 123     |
| IMeasureU (NZ) Limited                   | -                    | -       | -                    | (74)    |
| IMeasureU Inc.                           | -                    | 8       | <b>(8)</b>           | 8       |
| OMG Inc.                                 | <b>(1,295)</b>       | (3,598) | <b>2,303</b>         | 2,873   |
|  | <b>3,292</b>         | 3,434   | <b>(142)</b>         | (6,327) |

Outstanding balances are unsecured and repayable on demand, they do not carry interest. Consideration for these outstanding balances is expected to be in the form of cash or through the transfer of services.

The transactions in the year include head office recharges to subsidiaries of £2,583,000 (2019: £2,536,000). Other transactions arise from treasury cash management between the Company and its subsidiaries.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

In accordance with IFRS 9 all balances are stated at amortised cost. The amount receivable from IMeasureU (NZ) Ltd is stated net of a provision of £209,000 (2019: £155,000) and the amount receivable from IMeasureU Inc. is stated net of a provision of £50,000 (2019: £nil).

There are also balances due from OMG Life Limited of £2,222,000 (2019: £2,222,000) and IMeasureU (UK) Ltd of £44,000 (2019: £nil) which are fully impaired. The amount recognised as a credit in the year in respect of provisions against receivables from related parties was £147,000 (2019: £244,000).

Nick Bolton, David Deacon, Catherine Robertson, Adrian Carey and Julian Morris are also shareholders of Pimloc Limited. During the year the Company invoiced Pimloc Limited £nil (2019: £24,000) to recover costs paid by Oxford Metrics plc on their behalf. At the year end the balance outstanding was £nil (2019: £nil).

Dividends received by directors of the Company during the year were as follows:

|                     | 2020<br>£'000 | 2019<br>£'000 |
|---------------------|---------------|---------------|
| Roger Parry         | 5             | 6             |
| Jonathon Reeve      | -             | 1             |
| Adrian Carey        | 4             | 5             |
| David Quantrell     | 1             | -             |
| Nick Bolton         | 43            | 60            |
| David Deacon        | 21            | 29            |
| Catherine Robertson | 26            | 36            |

### 31. Changes in accounting policies

The Group has adopted IFRS 16 with the date of initial application being 1 October 2019.

Effective 1 January 2019, IFRS 16 has replaced IAS 17 'Leases' and IFRIC 4 'Determining whether an Arrangement Contains a Lease'.

The Group adopted IFRS 16 using the modified retrospective approach without restatement of comparative figures. The Group elected to apply the practical expedient to not reassess whether a contract contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. The definition of a lease under IFRS 16 was applied only to contracts entered into on or after 1 October 2019.

IFRS 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The Group applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied the exemption not to recognise right of use assets and liabilities for leases with less than 12 months of lease term remaining.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases. However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low value assets based on the value of the underlying asset when new or for short-term leases with a lease term of 12 months or less.

On adoption of IFRS 16, the Group recognised right-of-use assets and lease liabilities in relation to leases of business premises and vehicles, which had previously been classified as operating leases.

The lease liabilities were measured at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rate as at 1 October 2019. The Group's incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions. The weighted-average rate applied was 4.06%.

The right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2020

The following table presents the impact of adopting IFRS 16 on the Statement of Financial Position at 1 October 2019:

|   | <b>30 September<br/>2019 as<br/>originally<br/>presented<br/>£'000</b> | <b>Effect of<br/>IFRS 16<br/>£'000</b> | <b>1 October<br/>2019<br/>£'000</b> |
|---|--|--|-------------------------------------|
| Right of use assets                             | -  | 2,532                                  | 2,532                               |
| Lease liabilities                               | -  | (2,751)                                | (2,751)                             |
| Accruals (included in trade and other payables) | (2,175)  | 219                                    | (1,956)                             |

The following table reconciles the minimum lease commitments disclosed in the Group's Annual Financial Statements at 30 September 2019 to the amount of lease liabilities recognised on transition at 1 October 2019:

|   | <b>£'000</b> |
|---|--------------|
| Minimum operating lease commitment at 30 September 2019                                       | 2,444        |
| Additional lease commitments recognised under IFRS 16   | 754          |
| Less short-term leases not recognised under IFRS 16   | (16)         |
| Undiscounted lease payments   | 3,182        |
| Effect of discounting using the incremental borrowing rate at the date of initial application | (431)        |
| Lease liabilities recognised at 1 October 2019  | 2,751        |

## COMPANY INFORMATION

|                               |   |
|-------------------------------|---|
| Company registration number:  | 03998880  |
| Registered office:            | 6 Oxford Industrial Park<br>Yarnton<br>Oxfordshire<br>OX5 1QU   |
| Directors:                    | Roger Parry (Non-executive Chairman)<br>Naomi Climer (Non-executive Director)<br>Adrian Carey (Non-executive Director)<br>David Quantrell (Non-executive Director)<br>Nick Bolton (Chief Executive Officer)<br>David Deacon (Chief Financial Officer)<br>Catherine Robertson (Executive Director) |
| Secretary:                    | Catherine Robertson   |
| Bankers:                      | National Westminster Bank plc<br>121 High Street<br>Oxford<br>OX1 4DD   |
| Solicitors:                   | Goodman Derrick LLP<br>10 St Bride St<br>London<br>EC4A 4AD   |
| Broker and nominated advisor: | Numis Securities Limited<br>10 Paternoster Square<br>London<br>EC4M 7LT   |
| Registrars:                   | Link Group<br>The Registry<br>34 Beckenham Road<br>Beckenham<br>Kent<br>BR3 4TU   |
| Auditors:                     | BDO LLP<br>Level 12, Thames Tower<br>Station Road<br>Reading<br>Berkshire<br>RG1 1LX  |

## Notice of Annual General Meeting

**This document is important and requires your immediate attention. If you are in any doubt as to what action to take you are recommended to consult your stockbroker, solicitor, accountant or other independent adviser authorised under the Financial Services and Markets Act 2000**

If you have sold or transferred all of your ordinary shares in Oxford Metrics plc, you should pass this document, together with the accompanying form of proxy, to the person through whom the sale or transfer was made for the transmission to the purchaser or transferee.

**In the context of the health emergency linked to the COVID-19 pandemic, and in order to protect the health and the safety of its employees and shareholders, the Board of Directors has decided to hold the 2021 annual general meeting behind closed doors. Therefore, exceptionally, the annual general meeting will be held at the company's registered offices on Thursday 18 February 2021 with the minimum number of shareholders present as required to form a quorum under the Company's articles of association. The shareholders in attendance will be directors of the Company, subject to social distancing measures in line with current government guidelines. To ensure safety, other shareholders will not be able to gain access to the meeting.**

**Shareholders are invited to vote on the Resolutions to be put to the meeting by granting a proxy to the chair of the meeting, using the Form of Proxy that follows this notice of AGM. There will be no other method of voting.**

**As the annual general meeting will be held behind closed doors, there will be an AGM webpage on the company's website [oxfordmetrics.com/agm2021](http://oxfordmetrics.com/agm2021) where members can register to gain access to a special AGM Q&A webpage where questions can be put, and questions and answers can be viewed. The directors of the company will endeavour to provide answers to questions, and both questions and answers will be published on the AGM Q&A webpage for 7 days following the 2021 AGM. We will not publish any personal details including the name of any member who has asked a question.**

### **Oxford Metrics Plc Notice of annual general meeting**

Notice of the annual general meeting which has been convened for 18 February 2021 at 5pm at Oxford Metrics plc, Oxford Industrial Park, Yarnton, Oxfordshire, OX5 1QU is set out below.

To be valid, forms of proxy must be completed and returned in accordance with the instructions printed thereon so as to be received by the Company's registrars, Link Group, PXS 1, 34 Beckenham Road, Kent, BR3 4ZF as soon as possible and in any event not later than 48 hours (excluding days that are not a working day) before the time appointed for holding the meeting.

**Notice is hereby given** that the 2021 annual general meeting of Oxford Metrics plc (the "Company") will be held behind closed doors at 6 Oxford Industrial Park, Yarnton, Oxfordshire, OX5 1QU on 18 February 2021 at 5pm for the following purposes:

#### **Ordinary business**

1. To receive and adopt the financial statements of the Company for the financial year ended 30 September 2020 and the reports of the directors and auditors on those financial statements.
2. To reappoint BDO LLP as auditors of the Company and to authorise the directors to determine the auditors' remuneration.
3. To declare a final dividend of 1.80 pence per share on each of the Company's ordinary shares for the financial year ended 30 September 2020.
4. To re-elect Nick Bolton who retires by rotation in accordance with the Company's articles of association and offers himself for re-appointment by general meeting, as a director of the Company.
5. To re-elect David Deacon who retires by rotation in accordance with the Company's articles of association and offers himself for re-appointment by general meeting, as a director of the Company.
6. To re-elect Adrian Carey who retires by rotation in accordance with the Company's articles of association and offers himself for re-appointment by general meeting, as a director of the Company.

#### **Special business**

As special business to consider and, if thought fit, pass resolution 7 as an ordinary resolution and resolutions 8 and 9 as special resolutions. For special resolutions to pass, at least three-quarters of the votes cast must be in favour of the resolution.

7. That the directors be and are hereby generally and unconditionally authorised for the purposes of section 551 of the Companies Act 2006 (the “Act”) to exercise all the powers of the Company to allot shares in the Company and grant rights to subscribe for or convert any security into shares in the Company up to an aggregate nominal amount of £104,779. This authority shall apply in substitution for all previous authorities (but without prejudice to the validity of any allotment pursuant to such previous authority) and shall unless previously revoked, varied or renewed by the Company in general meeting, expire on 17 February 2026, save that the Company may before such expiry make any offer or agreement which would or might require shares to be allotted or rights granted to subscribe for or convert any security into shares after such expiry and the directors may allot shares or grant such rights in pursuance of any such offer or agreement as if the power and authority conferred by this resolution had not expired.
8. **Special Resolution.** That, subject to the passing of resolution 7 above, the directors be and are hereby generally and unconditionally given power for the purposes of section 570 of the Act to allot equity securities (within the meaning of section 560 of the Act and to include the sale of treasury shares as referred to in section 560(3) of the Act) for cash pursuant to the authority conferred by resolution 7 above, in each case as if section 561 of the Act did not apply to any such allotment, provided that this power shall be limited to:
- (a) the allotment of equity securities in connection with an offer or pursuant to a rights issue, open offer or other prorated issue made to:
    - (i) the holders of shares in the Company in proportion (as nearly as may be practicable) to the respective numbers of shares held by them; and
    - (ii) holders of other equity securities, as required by the rights of those securities or, subject to such rights, as the directors of the Company otherwise consider necessary, and the directors of the Company may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter; and
  - (b) the grant of options to subscribe for shares in the Company, and the allotment of such shares pursuant to the exercise of options granted, under the terms of any share option scheme adopted or operated by the Company; and
  - (c) the allotment of equity securities, other than pursuant to sub-paragraphs (a) and (b) above of this resolution, up to an aggregate nominal amount of £31,434.

This power shall (unless previously renewed, varied or revoked by the Company in general meeting) expire on 17 February 2026, save that the Company may before the expiry of this power make any offer or enter into any agreement which would or might require equity securities to be allotted, or treasury shares sold, after such expiry and the directors may allot equity securities or sell treasury shares in pursuance of any such offer or agreement as if the power conferred by this resolution had not expired.

9. **Special Resolution.** That the Company be and is hereby generally and unconditionally authorised for the purposes of section 701 of the Act to make market purchases (as defined in section 693(4) of the Act) of ordinary shares of 0.25 pence each in the capital of the Company (“Ordinary Shares”) in such manner and on such terms as the directors of the Company may from time to time determine, and where such shares are held as treasury shares, the Company may use them for the purposes set out in sections 727 or 729 of the Act, including for the purpose of its employee share schemes, provided that:
- (a) the maximum number of Ordinary Shares authorised to be purchased is 12,573,466
  - (b) the minimum purchase price which may be paid for any Ordinary Share is 0.25 pence (exclusive of expenses); and
  - (c) the maximum purchase price which may be paid for any Ordinary Share is the higher of (in each case exclusive of expenses):
    - (i) an amount equal to 105% of the average of the middle market quotations for an Ordinary Share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the purchase is made; and

- (ii) an amount equal to the higher of the price of the last independent trade and the highest current independent bid as derived from the London Stock Exchange's trading system known as SEAQ; and this authority shall take effect on the date of passing of this resolution and shall (unless previously revoked, renewed or varied) expire on the conclusion of the next annual general meeting of the Company after the passing of this resolution or, if earlier, 15 months after the date of passing of this resolution, save in relation to purchases of Ordinary Shares the contract for which was concluded before the expiry of this authority and which will or may be executed wholly or partly after such expiry.

By order of the Board  
**Catherine Robertson**  
Company Secretary

2 December 2020

**Registered office:** 6 Oxford Industrial Park, Yarnton, Oxfordshire, OX5 1QU

The notes on voting procedures, together with explanatory notes on the resolutions to be put to the meeting, which follow, form part of this notice.



**Notes:**

1. Only holders of Ordinary Shares are entitled to vote on the matters to be considered at this meeting. Aside from the director members forming the quorum, no member will be allowed to attend the meeting in person and all voting will be by proxy.
2. A form of proxy is provided with this notice and instructions for use are shown on the form. To be effective, the completed form of proxy must be deposited at the office of the Company's registrars, Link Group, PXS 1, 34 Beckenham Road, Kent BR3 4ZF, by not later than 48 hours (excluding days that are not a working day) before the start of the meeting (or any adjournment of the meeting) together with, if appropriate, the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of such power of authority.
3. A vote withheld option is provided on the form of proxy to enable you to instruct your proxy not to vote on any particular resolution, however, it should be noted that a vote withheld in this way is not a 'vote' in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution.
4. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) of it by using the procedures described in the CREST Manual (available from <https://www.euroclear.com/site/public/EUI>). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (EUI) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID: RA10) by 5.00pm on 16 February 2021. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time.

In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) (a) of the Uncertificated Securities Regulations 2001

5. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the Company at close of business on 16 February 2021 shall be entitled to vote on the matters to be considered at this annual general meeting in respect of such number of shares registered in their name at that time. Changes to entries on the register of members after close of business on 16 February 2021 shall be disregarded in determining the rights of any person to vote by proxy at the meeting.
6. Copies of the service agreements of the executive directors and the letters of appointment of the non-executive directors, are under normal circumstances available for inspection during normal business hours from the date of dispatch of this notice until the date of the meeting (Saturdays, Sundays and public holidays excepted) at the registered office of the Company and also made available for inspection at the place of the annual general meeting for a period of 15 minutes prior to and during the continuance of the meeting. Should a shareholder wish to view any of these documents, please make a request by email to [cathy.robertson@oxfordmetrics.com](mailto:cathy.robertson@oxfordmetrics.com).
7. Except as provided above, members who wish to communicate with the Company in relation to the meeting should do so by calling our shareholder helpline on 0371 664 0300 (Calls are charged at the standard geographic rate and will vary by provider) or, if calling from overseas, on +44 371 664 0300. Lines are open 9.00am – 5.30pm Monday to Friday. No other methods of communication will be accepted.

## **Explanatory notes**

### **Report and Accounts (Resolution 1)**

The directors of the Company must present the accounts to the meeting.

### **Reappointment and remuneration of auditors (Resolution 2)**

Resolution 2 proposes the reappointment of BDO LLP as auditors of the Company and authorises the directors to set their remuneration.

### **Declaration of a dividend (Resolution 3)**

A final dividend can only be paid after the shareholders at a general meeting have approved it. A final dividend of 1.80 pence per Ordinary Share is recommended by the directors for payment to shareholders who are on the register of members at the close of business on 11 December 2020. If approved, the date of payment of the final dividend will be 5 March 2021.

### **Re-election of directors (Resolutions 4, 5, and 6)**

The Company's articles of association require that all directors retire at least every three years and that all newly appointed directors retire at the first annual general meeting following their appointment.

At this meeting, Nick Bolton, David Deacon and Adrian Carey will retire and stand for re-election as directors. Having considered the performance of and contribution made by each of the directors standing for re-election the board remains satisfied that the performance of each of the relevant directors continues to be effective and to demonstrate commitment to the role and, as such, recommends their re-election.

### **Directors' authority to allot securities (Resolution 7)**

Your directors may only allot shares or grant rights over shares if authorised to do so by shareholders. The authority granted at the last annual general meeting will expire on the passing of this resolution or, if it is not passed, on 12 February 2025. The authority in resolution 7 will allow the directors to allot new shares in the Company or to grant rights to subscribe for or convert any security into shares in the Company up to a nominal value of £104,779. As at 3 December 2020, the Company did not hold any shares in treasury. If the resolution is passed, the authority will expire on 17 February 2026 unless previously revoked, varied or renewed.

### **Disapplication of pre-emption rights (Resolution 8)**

If the directors wish to allot any of the unissued shares or grant rights over shares or sell treasury shares for cash (other than pursuant to an employee share scheme) company law requires that these shares are first offered to existing shareholders in proportion to their existing holdings. There may be occasions, however, when the directors will need the flexibility to finance business opportunities by the issue of equity securities without a pre-emptive offer to existing shareholders. This cannot be done under the Act unless the shareholders have first waived their pre-emption rights. Resolution 8 asks the shareholders to do this and, apart from rights issues or any other pre-emptive offer concerning equity securities and the grant of share options, the authority will be limited to allotment of equity securities for cash up to a maximum number of 12,573,466 ordinary shares (which includes the sale on a non-pre-emptive basis of any shares held in treasury). Shareholders will note that this resolution also relates to treasury shares and will be proposed as a special resolution. This resolution seeks a disapplication of the pre-emption rights on a rights issue so as to allow the directors to make exclusions or such other arrangements as may be appropriate to resolve legal or practical problems which, for example, might arise with overseas shareholders. If given, the authority will expire on 17 February 2026.

### **Authority to purchase own shares (Resolution 9)**

In certain circumstances, it may be advantageous for the Company to purchase its own shares and resolution 9 seeks the authority from shareholders to continue to do so. The directors will continue to exercise this power only when, in the light of market conditions prevailing at the time, they believe that the effect of such purchases will be to increase earnings per share and is in the best interests of shareholders generally. Other investment opportunities, appropriate gearing levels and the overall position of the Company will be taken into account when exercising this authority.

Any shares purchased in this way will be cancelled and the number of shares in issue will be reduced accordingly, save that the Company may hold in treasury any of its own shares that it purchases pursuant to the Act and the authority conferred by this resolution. This gives the Company the ability to re-issue treasury shares quickly and cost-effectively and provides the Company with greater flexibility in the management of its capital base. It also gives the Company the opportunity to satisfy employee share scheme awards with treasury shares.

Once held in treasury, the Company is not entitled to exercise any rights, including the right to attend and vote at meetings in respect of the shares. Further, no dividend or other distribution of the Company's assets may be made to the Company in respect of the treasury shares.

The resolution specifies the maximum number of Ordinary Shares that may be acquired and the maximum and minimum prices at which they may be bought.

Resolution 9 will be proposed as a special resolution to provide the Company with the necessary authority. If given, this authority will expire at the conclusion of the next annual general meeting of the Company in 2022 or, if earlier, the date which is 15 months after the date of passing of the resolution. The directors intend to seek renewal of this power at subsequent annual general meetings.

## Form of Proxy

In the context of the health emergency linked to the COVID-19 pandemic, and in order to protect the health and the safety of its employees and shareholders, the Board of Directors has decided to hold the 2021 annual general meeting behind closed doors. Therefore, exceptionally, the annual general meeting will be held at the company's registered offices on Thursday 18 February 2021 with the minimum number of shareholders present as required to form a quorum under the Company's articles of association. The shareholders in attendance will be directors of the Company, subject to social distancing measures in line with current government guidelines. To ensure safety, other shareholders will not be able to gain access to the meeting.

Shareholders are invited to vote on the Resolutions to be put to the meeting by granting a proxy to the chair of the meeting, using the Form of Proxy that follows this notice of AGM. There will be no other method of voting.

As the annual general meeting will be held behind closed doors, there will be an AGM webpage on the company's website [oxfordmetrics.com/agm2021](https://oxfordmetrics.com/agm2021) where members can register to gain access to a special AGM Q&A webpage where questions can be put, and questions and answers can be viewed. The directors of the company will endeavour to provide answers to questions, and both questions and answers will be published on the AGM Q&A webpage for 7 days following the 2021 AGM. We will not publish any personal details including the name of any member who has asked a question.

### Notes for completion of the proxy form for the 2021 annual general meeting

1. As a member of the Company, in normal circumstances, you are entitled to appoint another person as your proxy to exercise all or any of your rights to attend, speak and vote at a general meeting of the Company. However, for the 2021 AGM your proxy will only have the right to vote on your behalf. You must follow the appointment procedures set out in these notes.
2. You must appoint the chair of the meeting as your proxy if you wish to vote on any of the resolutions to be put to the meeting.
3. If you appoint a proxy to vote on your behalf at this annual general meeting, your voting rights will revert to you at the conclusion of the annual general meeting or any adjournment of the annual general meeting.
4. To direct your proxy how to vote on the resolutions, please indicate how you wish your vote to be cast by placing 'X' in the appropriate column. To abstain from voting on a resolution, select the relevant "Vote withheld" box. Please note that a vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If you either select the "Discretionary" option or if no specific direction as to how you wish your vote to be cast is given, your proxy may vote or abstain, at his or her discretion. On any other business which is put before the meeting (including a motion to adjourn the meeting or to amend a resolution) the proxy will vote (or abstain from voting) at his or her discretion.
5. To be valid, this proxy form must be:
  - (a) completed and signed;
  - (b) sent or delivered to Link Group, PXS 1, 34 Beckenham Road, Beckenham BR3 4ZF; and
  - (c) received by Link Group, no later than 48 hours (excluding days that are not a working day) before the time of the meeting.
6. If a member is a company, this proxy form must be executed under its common seal (or such form of execution as has the same effect) or executed on its behalf by a duly authorised officer of the company or an attorney for the company. A copy of the authorisation of such officer or attorney must be lodged with this proxy form.
7. If this proxy form is executed under a power of attorney or any other authority the original power or authority (or a duly certified copy of such power or authority) must be lodged together with this proxy form.
8. In the case of joint holders, any one holder may sign the form of proxy but all the names of the joint holders should be stated on this proxy form. If more than one of the joint holders purports to appoint a proxy, the appointment submitted by the most senior holder will be accepted to the exclusion of the appointment(s) of the other joint holder(s), seniority being determined by the order in which the names of the joint holders stand in the register of members of the Company in respect of the joint holding (the first-named being the most senior).

9. If you submit more than one valid proxy appointment in respect of the same shares, the appointment received last before the latest time for the receipt of proxies will take precedence.
10. Any alterations made to this form should be initialled
11. You may not use any fax number or email address or other electronic address provided in this proxy form to communicate with the Company for any purposes other than those expressly stated.

If you have any queries completing this form please contact Link Group on telephone number 0371 664 0300 (Calls are charged at the standard geographic rate and will vary by provider) or, if calling from overseas, on +44 371 664 0300. Lines are open 9.00am – 5.30pm, Monday to Friday.

**Oxford Metrics plc  
Form of Proxy**

**For use at the annual general meeting to be held at 6 Oxford Industrial Park, Yarnton, Oxfordshire, OX5 1QU on 18 February 2021. Before completing this form, please read the explanatory notes opposite.**

I/We .....

Of.....  
being [a] member[s] of Oxford Metrics plc (the "Company"), hereby appoint the chair of the meeting as my/our proxy (see note 2)

to vote for me/us on my/our behalf at the annual general meeting of the Company to be held on 18 February 2021 and at any adjournment of the meeting.

I/We have indicated with an 'X' in the appropriate spaces how I/we wish my/our votes to be cast and direct the proxy to vote as indicated.

If this form is signed and returned without any indication as to how my/our proxy shall vote, my/our proxy may exercise his or her discretion as to both how he or she votes (including as to any amendments to the resolutions) and whether or not he or she abstains from voting.

I/We authorise my/our proxy to vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.

| <b>Resolution. (Place X in appropriate box)</b>   | <b>For</b> | <b>Against</b> | <b>Withheld</b> | <b>Discretionary</b> |
|---|------------|----------------|-----------------|----------------------|
| <b>Ordinary business</b>  |            |                |                 |                      |
| 1. To receive and adopt the financial statements for the year ended 30 September 2020                                       |            |                |                 |                      |
| 2. To re-appoint BDO LLP as auditors and authorise the directors to fix their remuneration                                  |            |                |                 |                      |
| 3. To declare a final dividend  |            |                |                 |                      |
| 4. To re-elect Nick Bolton as a director  |            |                |                 |                      |
| 5. To re-elect David Deacon as a director   |            |                |                 |                      |
| 6. To re-elect Adrian Carey as a director   |            |                |                 |                      |
| <b>Special business</b>   |            |                |                 |                      |
| 7. To authorise the directors to allot shares pursuant to section 551 of the Companies Act 2006 (the "Act")                 |            |                |                 |                      |
| 8. To authorise the directors to allot shares pursuant to section 570 of the Act as if section 561 of the Act did not apply |            |                |                 |                      |
| 9. To authorise the Company to make one or more market purchases of ordinary shares in the company                          |            |                |                 |                      |

Signature(s) .....Date .....2021

Signature(s) .....Date .....2021

Please return in envelope supplied

