

Entrust (Europe) Ltd  
3403634

**Datacard International Limited**

Annual report and consolidated  
financial statements

Registered number 987011

31 March 2019

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## Strategic Report

### Business review

Datacard International Limited is a company limited by shares and incorporated and domiciled in the UK. Datacard International Limited has wholly owned subsidiaries in the United Kingdom, Hong Kong, France, Germany, Mexico, Australia, New Zealand, Spain and Denmark. The principal activities of the Group is to sell specialised data embossing systems together with associated parts, supplies and supporting services as well as public key infrastructure, crypto management, multi-factor authentication and identity management security software and solutions. The Group also provides intercompany services to other companies in the Entrust Datacard Group. The principal activity of the Company is to hold shares of the subsidiaries within the group.

The trading performance for the year resulted in a profit before tax of £4,899,000 (2018: £5,571,000) from global operations within the group. Turnover for the year showed an increase on 2018 of 9.3% to £46,108,000. The main reason for the increase in turnover is a full year of turnover for acquisitions made by the Group in 2018. In addition there was also an increase in sales of product and services in UK, Mexico and Hong Kong, which was partially offset by higher discounts given to be competitive. The Group is continuously searching for new channels and opportunities to widen the portfolio of its products and markets.

An increase in costs of sales of product and services have resulted in the gross profit for the year of £11,503,000 (24.9% gross margin), being lower than the previous year gross profit of £13,958,000 (33.1% gross margin). The lower gross margin percent is attributable to a change in sales mix and in order to be competitive higher discounts had to be given.

The Group had net assets of £6,344,000 at the year end (2018: £23,004,000). The position of the Group has decreased during the year mainly due to the acquisition of Entrust (Europe) Limited by the Group on 31 March 2019. Creditors increased to £51,047,000 in 2019 (2018: £15,331,000) due to increase in amounts owed to group undertakings resulting from this acquisition, intercompany service recharges and cash flow management strategies by Entrust Datacard Corporation. The Group recorded intangibles of 4,066,000 in 2019 (2018: *nil*) as a result of the acquisition of Entrust (Europe) Limited which is explained in more detail below.

The Company had net assets of £23,416,000 at the year end (2018: £21,185,000). The position of the Company increased during the year due to investments increasing to £18,157,000 in 2019 (2018: £16,723,000) from the acquisition of Entrust (Europe) Limited. Creditors decreased to £5,229,000 in 2019 (2018: £9,574,000) due to decrease in amounts owed to group undertakings resulting from cash flow management strategies by Entrust Datacard Corporation.

On 31 March 2019, Datacard Cayman Islands (a subsidiary of Entrust Datacard Corporation) entered into a share for share exchange with Datacard International Limited whereas it was agreed that all outstanding shares of Entrust (Europe) Limited were to be exchanged for 2 shares of Datacard International Limited. The purpose of this group reconstruction is to simplify the integration of Entrust and Datacard operations under the Entrust Datacard Group. Further details of the acquisition are reported in note 2.

The group continues to work with other organisations within the Entrust Datacard Corporation group to develop and review appropriate KPIs. The organisation reviews the gross margin KPI for both the group and the channel of sale on product lines, together with performance against budget and forecast and other relevant KPIs. A change in sales mix and higher discounts to be competitive has contributed to the change in the gross margin KPI during the year. It's not usual to see changes in margin depending on the market segment and type of product being sold. The directors don't believe there will be continued erosion of margin in the future. The directors of the group use the KPIs as a management tool for both review and planning purposes.

As we look to grow the business the organisation continues to review the cost structure of all departments with a view to improving both productivity, margins and efficiencies.

## **Strategic report** (continued)

On 6 June 2019, Entrust Datacard Corporation purchased Thales' general purpose hardware security module business (nCipher). Datacard International Limited is the acquirer of nCipher operations in the UK and Hong Kong with the funding coming through an injection of equity and intercompany debt from Datacard Cayman Islands. The Company is a subsidiary undertaking of Datacard Cayman Islands. The directors believe the nCipher UK and Hong Kong operations will generate over £40,000,000 turnover for the Group in 2020.

### **Going concern**

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The group's activities are to sell original equipment and associated services to customers across its operating locations. That equipment is manufactured by its ultimate parent company, Entrust Datacard Corporation (the "EDC Group") and the ability of the group to continue as a going concern is therefore dependant on the ability of the EDC Group to continue as a going concern and in particular the EDC Group continuing to provide financial and other support, including through paying for intra-group services in accordance with the transfer pricing policies in place, during that period. The EDC Group has prepared forecasts which the directors have reviewed covering a period to 30 June 2021. These forecasts indicate the EDC Group will be able to continue to operate within the facilities it has in place and hence continue to provide the support required by the group.

The EDC Group continues to monitor the impact of COVID-19 and has prepared a severe but plausible downside scenario. This scenario takes account of the fact that much of the EDC Group's operations are supporting priority industries but nonetheless assumes a reduction in revenues of 21% for the period to 31 March 2021 followed by a phased return to more normal levels of trading over the following 3 months. This scenario also considers associated cost control measures which are in EDC Group's control including restrictions on new hires and tight control of discretionary spend.

Entrust Datacard Corporation has indicated its intention to continue to make available such support as needed by the group for the period covered by the forecasts. In addition, in June 2019, Entrust Datacard Corporation contributed its loan note receivable from Entrust (Europe) Limited to Datacard Cayman Islands, who in turn contributed it to the Company. The value of the loan note at the time of contribution was £25,750,000, which significantly improves the Group and Company's financial position.

As with any group placing reliance on other group entities for support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the group and company will have resources to continue to meet its obligations as they fall due and continue in operational existence for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

### **Principal Risks and Uncertainties**

#### **Brexit**

Approximately 17% of the Group turnover is related to sales operations within the UK. These operations within the UK do not trade with customers within the EU as the sales to European customers are processed through operations outside of the UK. The Group does provide administrative services through a shared service centre to components within the Group as well as components of Entrust Datacard Corporation, some of which are based in the EU on a cost recharge basis. Transfer price policies are in place to ensure the Group is profitable. The acquisition of nCipher in 2020 will increase the amount of the Group turnover generated by UK companies to approximately 30%. This increase includes some sales made from the UK nCipher entity into the EU however, the Group would be able to sell these products via the existing Datacard sales operations outside of the UK in the event of a no deal Brexit. The directors do not foresee a significant impact in the immediate future should there be a no deal Brexit. The directors will continue to review the implications of Britain exiting the EU and the potential change to international trade.

## **Strategic report** (continued)

### ***Trading Risk***

The Group is actively competing in new markets to mitigate its dependence on existing customers, markets and products. During the year ended 31 March 2019 the company continued to provide service contracts with customers globally following the successful implementation of new equipment. The Group is actively trading in a number of countries around the world and continues to look for growth including through acquisition.

### ***Exchange Risk***

The Group has exchange risk in subsidiaries denominated in currencies other than sterling. Receipts from customers in foreign currencies are utilised to settle purchases denominated in those currencies to help offset the exchange risk. The Group trades with Entrust DataCard Corporation (US parent), however the majority of transactions with the ultimate parent are denominated in local currency of the subsidiary to reduce local exchange risk.

### ***Credit Risk***

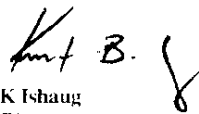
There are no particular concentrations of credit risk.

### ***Financial Risk***

The Group is part of Entrust DataCard Corporation, a global group of companies, which is committed to supporting the efficiency and effectiveness of DataCard International Limited should this support be required.

### ***Liability Risk***

The Group maintains commercial insurance policies adequate for a business of this type.

  
K Ishaug  
Director

Forum 3  
Solent Business Park  
Whiteley  
Fareham  
PO15 7FH

3 June 2020

## **Directors' report**

### **Business Activities**

There are no expected changes to the activities of the Group. As described in note 25, on 6 June 2019, Entrust Datacard Corporation purchased Thales' general purpose hardware security module business (nCipher). Datacard International Limited is the acquirer of nCipher operations in the UK and Hong Kong with the funding coming through an injection of equity and intercompany debt from Entrust Datacard Group.

### **Research and development**

Entrust Datacard Corporation, the parent undertaking, continues to enhance, modify and develop new products and processes which are then adopted by the group. No research and development costs are incurred by Datacard International Limited or its subsidiary undertakings.

### **Dividend**

There were no dividend payments in 2019 (2018: £4,392,000).

### **Directors**

The directors who held office during the year were as follows:

L J Tibbits

K Ishaug

### **Political contributions**

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year.

### **Disclosure of information to auditor**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

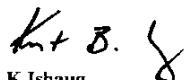
### **Other information**

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 1.

### **Auditor**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



**K Ishaug**  
Director

Forum 3  
Solent Business Park  
Whineley  
Fareham  
PO15 7FH

3 June 2020

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

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## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DATACARD INTERNATIONAL LIMITED**

### **Opinion**

We have audited the financial statements of Datacard International Limited ("the company") for the year ended 31 March 2019 which comprise the Consolidated Profit and Loss account, the Consolidated Statement of Other Comprehensive Income, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Cash Flow Statement and related notes, including the accounting policies in note 1.

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 31 March 2019 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DATACARD INTERNATIONAL LIMITED (continued)**

### **Going concern**

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group and the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the group's business model and analysed how those risks might affect the group and company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the company will continue in operation.

### **Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

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

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DATACARD INTERNATIONAL LIMITED (continued)**

### **Directors' responsibilities**

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and 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 they 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**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### **The purpose of our audit work and to whom we owe our responsibilities**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



**Huw Brown (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
Gateway House  
Tollgate  
Chandlers Ford  
Southampton  
SO53 3TG

12 March 2020

**Consolidated Profit and Loss Account**  
*for year ended 31 March 2019*

	<i>Note</i>	<b>2019</b> <b>£000</b>	2018 £000
<b>Turnover</b>	3	<b>46,108</b>	42,172
Cost of sales		<b>(34,605)</b>	(28,214)
		<hr/>	<hr/>
<b>Gross profit</b>		<b>11,503</b>	13,958
Distribution costs		<b>(5,040)</b>	(5,741)
Administrative expenses		<b>(2,329)</b>	(2,938)
		<hr/>	<hr/>
<b>Group operating profit</b>		<b>4,134</b>	5,279
Other interest receivable and similar income	7	<b>824</b>	711
Interest payable and similar charges	8	<b>(59)</b>	(419)
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>		<b>4,899</b>	5,571
Tax on profit on ordinary activities	9	<b>(1,329)</b>	(1,272)
		<hr/>	<hr/>
<b>Profit for the financial year</b>		<b>3,570</b>	4,299
		<hr/>	<hr/>

All the results in both the current and previous year relate to continuing operations

The accompanying notes form an integral part of these financial statements.

**Consolidated Other Comprehensive Income**  
*for year ended 31 March 2019*

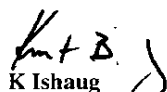
	Note	2019 £000	2018 £000
<b>Profit for the year</b>		<b>3,570</b>	4,299
<b>Other comprehensive income (loss)</b>		<b>—</b>	<b>—</b>
Foreign exchange differences on translation of foreign operations		(6)	(511)
Re-measurement of net defined benefit liability		(83)	261
<b>Other comprehensive loss for the year, net of income tax</b>		<b>(89)</b>	(250)
<b>Total comprehensive income profit for the year</b>		<b>3,481</b>	4,049

The accompanying notes form an integral part of these financial statements.

## Consolidated Balance Sheet at 31 March 2019

	<i>Note</i>	<b>2019</b> <b>£000</b>	<b>£000</b>	2018 £000	£000
<b>Fixed assets</b>					
<b>Intangible assets</b>					
Goodwill	10	47		52	
Other intangibles	10	4,066		-	
Tangible assets	11	2,229		1,261	
			<b>6,342</b>		1,313
<b>Current assets</b>					
Stocks	13	2,437		1,796	
Debtors (including £3,276,000 (2018: £1,022,000) due after more than one year)	14	32,127		30,294	
Cash at bank and in hand	16	21,583		8,971	
		<b>56,147</b>		<b>41,061</b>	
<b>Creditors: amounts falling due within one year</b>	17	<b>(51,047)</b>		<b>(15,331)</b>	
<b>Net current assets</b>			<b>5,100</b>		25,730
<b>Total assets less current liabilities</b>			<b>11,442</b>		27,043
<b>Creditors: amounts falling due after more than one year</b>	18	<b>(1,587)</b>		<b>(632)</b>	
<b>Provisions for liabilities</b>					
Pensions and similar obligations	20	(3,511)		(3,407)	
			<b>(5,098)</b>		(4,039)
<b>Net assets</b>			<b>6,344</b>		23,004
<b>Capital and reserves</b>					
Called up share capital	21	1,440		1,440	
Other reserves / (deficit)	21	(7,093)		13,048	
Profit and loss account		11,997		8,516	
<b>Shareholders' funds</b>			<b>6,344</b>		23,004

These financial statements were approved by the board of directors on 3 June 2020 and were signed on its behalf by:

  
**K Isaug**  
Director

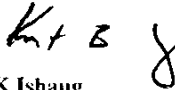
Company registered number: 987011

The accompanying notes form an integral part of these financial statements.

**Company Balance Sheet**  
**at 31 March 2018**

	<i>Note</i>	<b>2019</b> <b>£000</b>	<b>£000</b>	<b>2018</b> <b>£000</b>	<b>£000</b>
<b>Fixed assets</b>					
Investments	12	18,157		16,723	
			<b>18,157</b>		<b>16,723</b>
<b>Current assets</b>					
Debtors (including £nil (2017: £nil) due after more than one year)	14	8,794		12,998	
Cash at bank and in hand	16	1,694		1,038	
		<b>10,488</b>		<b>14,036</b>	
<b>Creditors:</b> amounts falling due within one year	17	<b>(5,229)</b>		<b>(9,574)</b>	
<b>Net current assets</b>			<b>5,259</b>		<b>4,462</b>
<b>Net assets</b>			<b>23,416</b>		<b>21,185</b>
<b>Capital and reserves</b>					
Called up share capital	21	1,440		1,440	
Premium on shares to be issued	21	1,434		-	
Other reserves	21	13,048		13,048	
Profit and loss account		7,494		6,697	
<b>Shareholders' funds</b>			<b>23,416</b>		<b>21,185</b>

These financial statements were approved by the board of directors on 3 June 2020 and were signed on its behalf by:

  
**K Isaug**  
*Director*

Company registered number: 987011

The accompanying notes form an integral part of these financial statements.

## Consolidated Statement of Changes in Equity

	<b>Called up Share capital</b>	<b>Other Reserves (Deficit)</b>	<b>Profit &amp; loss account</b>	<b>Total equity</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance at 1 April 2017	1,440	13,048	9,512	24,000
<b>Total comprehensive income for the period</b>				
Profit for the period	-	-	4,299	4,299
Other comprehensive loss	-	-	(250)	(250)
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	-	-	4,049	4,049
	<hr/>	<hr/>	<hr/>	<hr/>
Dividend paid	-	-	(4,392)	(4,392)
Dividends in specie	-	-	(653)	(653)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Balance at 31 March 2018</b>	<b>1,440</b>	<b>13,048</b>	<b>8,516</b>	<b>23,004</b>
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 1 April 2018	1,440	13,048	8,516	23,004
<b>Total comprehensive income for the period</b>				
Profit for the period	-	-	3,570	3,570
Other comprehensive loss	-	-	(89)	(89)
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	-	-	3,481	3,481
	<hr/>	<hr/>	<hr/>	<hr/>
Transaction with owners, recorded directly in equity Deficit on acquisition from parent company (note 21)	-	(20,141)	-	(20,141)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Balance at 31 March 2019</b>	<b>1,440</b>	<b>(7,093)</b>	<b>11,997</b>	<b>6,344</b>
	<hr/>	<hr/>	<hr/>	<hr/>

The accompanying notes form an integral part of these financial statements.

## Company Statement of Changes in Equity

	<b>Called up Share capital</b>	<b>Premium on shares to be issued</b>	<b>Other Reserves</b>	<b>Profit &amp; loss account</b>	<b>Total equity</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance at 1 April 2017	1,440	-	13,048	11,439	25,927
<b>Total comprehensive income for the period</b>					
Profit and other comprehensive income	-	-	-	303	303
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>303</b>	<b>303</b>
Dividend paid	-	-	-	(4,392)	(4,392)
Dividend in specie	-	-	-	(653)	(653)
<b>Balance at 31 March 2018</b>	<b>1,440</b>	<b>-</b>	<b>13,048</b>	<b>6,697</b>	<b>21,185</b>
Balance at 1 April 2018	1,440	-	13,048	6,697	21,185
<b>Total comprehensive income for the period</b>					
Profit and other comprehensive income	-	-	-	797	797
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>797</b>	<b>797</b>
Transaction with owners, recorded directly in equity Premium on shares to be issued pursuant to share for share exchange (note 21)	-	1,434	-	-	1,434
<b>Balance at 31 March 2019</b>	<b>1,440</b>	<b>1,434</b>	<b>13,048</b>	<b>7,494</b>	<b>23,416</b>

The accompanying notes form an integral part of these financial statements



**Consolidated Cash Flow Statement**  
*for year ended 31 March 2019*

	<i>Note</i>	<b>2019</b> <b>£000</b>	2018 £000
<b>Cash flows from operating activities</b>			
Profit for the year		<b>3,570</b>	4,299
Adjustments for:			
Depreciation, amortisation and impairment		<b>474</b>	413
Foreign exchange loss/(gain)		<b>(412)</b>	304
Interest receivable and similar income		<b>(385)</b>	(668)
Interest payable and similar expenses		<b>32</b>	72
Gain on sale of tangible fixed assets		<b>(15)</b>	(4)
Tax expense		<b>1,329</b>	1,272
		<b>4,593</b>	5,688
(Increase)/decrease in trade and other debtors		<b>11,241</b>	(4,183)
(Increase)/decrease in stocks		<b>(382)</b>	61
(Decrease)/increase in trade and other creditors		<b>(7,029)</b>	2,116
Increase in provisions and employee benefits		<b>108</b>	269
		<b>8,531</b>	3,951
Service cost		<b>(78)</b>	(68)
Interest paid		<b>(32)</b>	(72)
Tax paid		<b>(1,678)</b>	(1,183)
<b>Net cash from operating activities</b>		<b>6,743</b>	2,628
<b>Cash flows from investing activities</b>			
Proceeds from sale of tangible fixed assets		<b>16</b>	149
Interest received		<b>385</b>	668
Acquisition of subsidiaries less cash acquired	2	-	-
Cash acquired in business combination		<b>5,719</b>	2,275
Acquisition of tangible fixed assets	11	<b>(214)</b>	(736)
<b>Net cash from investing activities</b>		<b>5,906</b>	2,356
<b>Cash flows from financing activities</b>			
Dividend paid		-	(4,392)
<b>Net cash from financing activities</b>		-	(4,392)
Net increase/(decrease) in cash and cash equivalents		<b>12,649</b>	592
Cash and cash equivalents at 1 April 2018		<b>8,971</b>	8,843
Impact of foreign exchange on cash		<b>(37)</b>	(464)
<b>Cash and cash equivalents at 31 March 2019</b>	16	<b>21,583</b>	8,971

The accompanying notes form an integral part of these financial statements.

## **Notes**

*(forming part of the financial statements)*

### **1 Accounting policies**

Datocard International Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK. Its registered office is Forum 3, Solent Business Park, Whiteley, Fareham PO15 7FH.

These Group and parent company financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("*FRS 102*") as issued in August 2014. The amendments to FRS 102 issued in July 2016 and effective immediately have been applied. In December 2017, the Financial Reporting Council carried out additional amendments to FRS 102. This amendment will be effective for accounting periods beginning on or after 1 January 2019, with early application permitted. For the year ended 31 March 2019, the Group early adopted this amendment to FRS 102.

The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time;
- No separate parent company Cash Flow Statement with related notes is included; and
- Key Management Personnel compensation has not been included a second time.
- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 26.

#### ***Measurement convention***

The financial statements are prepared on the historical cost basis.

## **Notes (continued)**

### **1 Accounting policies (continued)**

#### ***Going concern***

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on page 1.

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The group's activities are to sell original equipment and associated services to customers across its operating locations. That equipment is manufactured by its ultimate parent company, Entrust Datacard Corporation (the "EDC Group") and the ability of the group to continue as a going concern is therefore dependant on the ability of the EDC Group to continue as a going concern and in particular the EDC Group continuing to provide financial and other support, including through paying for intra-group services in accordance with the transfer pricing policies in place, during that period. The EDC Group has prepared forecasts which the directors have reviewed covering a period to 30 June 2021. These forecasts indicate the EDC Group will be able to continue to operate within the facilities it has in place and hence continue to provide the support required by the group.

The EDC Group continues to monitor the impact of COVID-19 and has prepared a severe but plausible downside scenario. This scenario takes account of the fact that much of the EDC Group's operations are supporting priority industries but nonetheless assumes a reduction in revenues of 21% for the period to 31 March 2021 followed by a phased return to more normal levels of trading over the following 3 months. This scenario also considers associated cost control measures which are in EDC Group's control including restrictions on new hires and tight control of discretionary spend.

Entrust Datacard Corporation has indicated its intention to continue to make available such support as needed by the group for the period covered by the forecasts. In addition, in June 2019, Entrust Datacard Corporation contributed its loan note receivable from Entrust (Europe) Limited to Datacard Cayman Islands, who in turn contributed it to the Company. The value of the loan note at the time of contribution was £25,750,000, which significantly improves the Group and Company's financial position.

As with any group placing reliance on other group entities for support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the group and company will have resources to continue to meet its obligations as they fall due and continue in operational existence for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

#### ***Basis of consolidation***

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 March 2019. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

In the parent financial statements, investments in subsidiaries are carried at cost less impairment.

## **Notes** *(continued)*

### **1 Accounting policies** *(continued)*

#### **Foreign currency**

Transactions in foreign currencies are translated to the Group companies' functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. *Foreign exchange differences arising on translation are recognised in the profit and loss account.*

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised in other comprehensive income.

#### **Classification of financial instruments issued by the group**

In accordance with FRS 102.22, financial instruments issued by the group are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the group; and
- (b) where the instrument will or may be settled in the entity's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the entity's own equity instruments or is a derivative that will be settled by the entity exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the entity's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

#### **Basic financial instruments**

##### *Trade and other debtors / creditors*

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. *If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.*

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

## **Notes (continued)**

### **1 Accounting policies (continued)**

#### ***Tangible fixed assets***

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Tangible fixed assets include investment property whose fair value cannot be measured reliably without undue cost or effort.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the entity assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described below.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- leasehold improvements            period of lease
- plant and equipment            1-10 years
- fixtures and fittings            3-10 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

#### ***Business combinations***

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the entity.

At the acquisition date, the group recognises goodwill at the acquisition date as:

- the fair value of the consideration (excluding contingent consideration) transferred; plus
- estimated amount of any contingent consideration; plus
- the fair value of the equity instruments issued; plus
- directly attributable transaction costs; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities and contingent liabilities assumed.

FRS 102.35 grants certain exemptions from the full requirements of FRS 102 in the transition period. The Group elected not to restate business combinations that took place prior to 1 April 2014. In respect of acquisitions prior to 1 April 2014, goodwill is included on the basis of its deemed cost, which represents the amount recorded under old UK GAAP. Intangible assets previously included in goodwill, are not recognised separately.

Where the group has been contributed a business from its parent company, the group has opted to apply the purchase method of accounting as at the acquisition date as described above. Any excess of the fair value over the consideration transferred described above is recognised directly within equity.

## **Notes** *(continued)*

### **1**      **Accounting policies** *(continued)*

#### ***Intangible assets, goodwill and negative goodwill***

##### *Goodwill*

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

The December 2017 amendment to FRS 102 states that fewer intangible assets are required to be recognised separately from goodwill in a business combination. The requirements are limited to those intangibles that arise from contractual or other legal rights and are separable. The Group's goodwill includes customer lists, and developed technology. For the year ended 31 March 2019, the Group early adopted this amendment to FRS 102.

##### *Other intangible assets*

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

The cost of intangible asset acquired in a business combination are capitalised separately from goodwill if the fair value can be measured reliably at the acquisition date.

##### *Amortisation*

Goodwill is amortised on a straight line basis over its useful life. Goodwill has no residual value. In accordance with the transitional arrangements of FRS 102, goodwill acquired before the transition date continues to be amortised over its estimated useful life of 20 years. The finite useful life of goodwill after the transition date is estimated to be 5 years.

Amortisation of other intangibles is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets, which is 6 years.

The company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Goodwill and other intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired.

## **Notes (continued)**

### **1 Accounting policies (continued)**

#### ***Stocks***

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

#### ***Impairment excluding stocks and deferred tax assets***

##### *Financial assets (including trade and other debtors)*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

##### *Non-financial assets*

The carrying amounts of the Company's non-financial assets, other than, stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire entity into which it has been integrated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## **Notes (continued)**

### **I Accounting policies (continued)**

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

##### *Defined contribution plans and other long term employee benefits*

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

##### *Defined benefit plans*

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The entity's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The entity determines the net interest expense (income) on the net defined benefit liability for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the entity's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The entity recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Re-measurement of the net defined benefit liability is recognised in other comprehensive income in the period in which it occurs.

#### ***Provisions***

A provision is recognised in the balance sheet when the entity has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.



## **Notes (continued)**

### **1 Accounting policies (continued)**

#### ***Turnover***

Turnover represents amounts (excluding value added tax) derived from the provision of goods and services to third party customers and other companies in the Entrust Datacard Group.

Sales of hardware, supplies, and spare parts are recognised when the goods are dispatched at which point risk transfers to the customer. Income from the rental of fixed asset hardware is recognised over the term of the lease where the company contracts as an operating lessor. When a finance lease is entered into with a customer and the company acts as a manufacturer or dealer for the product, 2 types of income are recognised: 1) initial selling revenue; and 2) finance income. The initial selling revenue and profit is recognised in line with the revenue recognition policy for outright sales. Finance income is recognised over the term of lease. The initial selling revenue and profit is restricted to the fair value of the asset being sold. Costs incurred in connection with negotiating and arranging a lease (initial direct costs) are recognised as an expense when the selling profit or loss is recognised, which generally is at the commencement date of the lease term.

Income from maintenance contracts is included in the profit and loss account over the period of the contract, which is generally on a straight-line basis. Income relating to the unexpired terms of the contracts at the balance sheet date is carried forward to future periods.

Income from services to third party customers and other companies in the Entrust Datacard Group are recognised as services are performed.

#### ***Expenses***

##### ***Operating lease***

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

##### ***Finance lease***

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

## **Notes (continued)**

### **1 Accounting policies (continued)**

#### **Expenses (continued)**

##### *Interest receivable and Interest payable*

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

#### **Taxation**

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other suitable future taxable profits.

## Notes (continued)

### 2 Acquisitions of businesses

#### *Acquisitions in the current period*

On 31 March 2019, Datacard Cayman Islands (a subsidiary of Entrust Datacard Corporation) entered into a share for share exchange with Datacard International Limited whereas it was agreed that all outstanding shares of Entrust (Europe) Limited were to be exchanged for 2 shares of Datacard International Limited. Due to administrative reasons the 2 shares Datacard International Limited were not issued until 9 May 2019, but it has been determined that beneficial ownership of Entrust (Europe) Limited transferred on 31 March 2019. Entrust (Europe) Limited has wholly owned operations in Spain, United Kingdom and Denmark. The company sells specialised data embossing systems together with associated parts, supplies, supporting services as well as public key infrastructure, crypto management, multi-factor authentication and identity management security software and solutions. The business did not contribute revenue or net profit for 2019.

#### *Effect of acquisition*

The acquisition had the following effect on the Group's assets and liabilities.

	Book values	Fair value adjustments	Recognised values on acquisition £000
<b>Acquiree's net assets at the acquisition date:</b>			
Tangible fixed assets	1,194	-	1,194
Stocks	259	-	259
Other intangibles	-	4,066	4,066
Trade and other debtors	10,390	-	10,390
Cash	5,719	-	5,719
Long-term deferred tax assets	2,178	-	2,178
Trade and other creditors	(43,043)	-	(43,043)
Long-term deferred tax liability	(10)	(691)	(701)
Other long-term liabilities	(203)	-	(203)
	<hr/>	<hr/>	<hr/>
Net identifiable assets and liabilities	(23,516)	3,375	(20,141)

The business was acquired from the ultimate parent undertaking. The Group has elected to account for group reconstructions using the acquisition method of accounting and (£20,141,000) has been recognised as other reserves on the Group's statement of changes in equity.

The Company recorded the transaction at the value Entrust (Europe) Limited was held at in Datacard Cayman Islands books immediately prior to the transfer. See Note 21 for further information.

## Notes (continued)

### 2 Acquisitions of businesses (continued)

#### *Acquisitions in the prior period*

On 31 October 2017, the Group purchased all of the shares of Datacard Australia Pty. Ltd. for \$5,000,000 (£3,787,000). To fund the purchase a loan note, bearing interest at 3.25%, was raised for £3,787,000. Datacard Australia Pty. Ltd. sells specialised data embossing systems together with associated parts, supplies and supporting services. The business earned revenue of £3,607,000 and net profit of £313,000 for the period since acquisition.

#### *Group*

#### *Effect of acquisition*

The acquisition had the following effect on the Group's assets and liabilities.

	Book values	Fair value adjustments	Recognised values on acquisition £000
<b>Acquiree's net assets at the acquisition date:</b>			
Tangible fixed assets	96	-	96
Stocks	967	-	967
Trade and other debtors	1,742	-	1,742
Cash	1,631	-	1,631
Long-term deferred tax assets	114	-	114
Trade and other creditors	(1,288)	-	(1,288)
	<hr/>	<hr/>	<hr/>
Net identifiable assets and liabilities	3,262	-	3,262
	<hr/>	<hr/>	<hr/>

#### **Total cost of business combination:**

The group has elected to account for group reconstructions using the acquisition method of accounting. There were no material differences between book and fair values; therefore no fair value adjustments have been recorded. No goodwill has been recognised as a result of this transaction with shareholders. The £525,000 difference between the £3,787,000 loan note and the book value of £3,262,000 has been recorded in the profit and loss account on the balance sheet and as a dividend in specie on the statement of changes in equity on the Company's/Group's financial statements.

## Notes (continued)

### 2 Acquisitions of businesses (continued)

On 1 April 2017, the Group purchased all of the shares of Entrust GmbH for €800,000 (£681,000). To fund the purchase a loan note, bearing interest at 2.00%, was raised for €800,000. Entrust GmbH merged into Entrust Datacard Deutschland GmbH. The acquisition has been accounted for by the acquisition method of accounting. Entrust GmbH provided intercompany services to other companies in the Entrust Datacard Group. The business contributed an estimated revenue of £600,000 and net profit of £10,000 for the period since acquisition.

#### *Group*

#### *Effect of acquisition*

The acquisition had the following effect on the Group's assets and liabilities.

	Book values	Fair value adjustments	Recognised values on acquisition £000
<b>Acquiree's net assets at the acquisition date:</b>			
Trade and other debtors	3	-	3
Cash	644	-	644
Trade and other creditors	(94)	-	(94)
	<hr/>	<hr/>	<hr/>
Net identifiable assets and liabilities	553	-	553
	<hr/>	<hr/>	<hr/>

#### **Total cost of business combination:**

The group has elected to account for group reconstructions using the acquisition method of accounting. There were no material differences between book and fair values; therefore no fair value adjustments have been recorded. No goodwill has been recognised as a result of this transaction with shareholders. The £128,000 difference between the £681,000 loan note and the book value of £553,000 has been recorded in the profit and loss account on the balance sheet and as a dividend in specie on the statement of changes in equity on the Company's/Group's financial statements.

## Notes (continued)

### 3 Turnover

	2019 £000	2018 £000
Sale of goods	19,538	16,973
Rendering of services	25,417	24,026
Operating lease rental income	1,153	1,173
	<hr/>	<hr/>
Total turnover	46,108	42,172
	<hr/>	<hr/>
<i>By geographical market</i>		
United Kingdom	5,362	3,520
France	4,759	6,630
Rest of Europe	5,149	6,831
USA	17,297	16,322
Mexico	3,370	2,338
Australia	4,487	2,903
Canada	4,156	1,706
Other	1,528	1,922
	<hr/>	<hr/>
	46,108	42,172
	<hr/>	<hr/>

## Notes (continued)

### 4 Expenses and auditor's remuneration

*Included in profit/loss are the following:*

	<b>2019</b>	2018
	<b>£000</b>	£000
Depreciation of tangible fixed assets	<b>(470)</b>	(409)
Amortisation of goodwill	<b>(4)</b>	(4)
Operating lease rental expenditure		
- Other	<b>(177)</b>	(121)
- Land and buildings	<b>(1,532)</b>	(1,296)
Gain on sale of fixed assets	<b>15</b>	4

*Auditor's remuneration:*

	<b>2019</b>	2018
	<b>£000</b>	£000
Audit of these financial statements	<b>30</b>	30
Amounts receivable by the company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the company	<b>138</b>	126
Taxation compliance services	<b>99</b>	54

### 5 Staff numbers and costs

The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows:

	<b>Number of employees</b>	
	<b>2019</b>	2018
Office and management	<b>154</b>	132
Manufacture and selling	<b>128</b>	136
	<b>282</b>	268

The aggregate payroll costs of these persons were as follows:

	<b>2019</b>	2018
	<b>£000</b>	£000
Wages and salaries	<b>19,338</b>	16,681
Social security costs	<b>3,008</b>	2,857
Contributions to defined contribution plans	<b>968</b>	762
	<b>23,314</b>	20,300

## Notes (continued)

### 6 Directors' remuneration

Directors' remuneration was £nil (2018:£nil). The aggregate of remuneration and amounts receivable under long term incentive schemes was £nil (2018:£nil).

The remaining directors are employed and remunerated by another company within the Entrust Datacard Corporation group, none of which are part of the Datacard International Limited group. Key Management Personnel, including the directors, performed qualifying services for Datacard International Limited in the year estimated at a value of £20,000 (2018: £20,000).

### 7 Other interest receivable and similar income

	2019 £000	2018 £000
Foreign exchange gain	439	43
Interest on loans to ultimate parent and subsidiaries	296	626
Other interest received including interest on capital leases	89	42
	<hr/>	<hr/>
Total interest receivable and similar income	824	711
	<hr/>	<hr/>

### 8 Interest payable and similar charges

	2019 £000	2018 £000
Foreign exchange loss	27	347
Other interest expenses	32	9
Interest on loans from ultimate parent and subsidiaries	-	63
	<hr/>	<hr/>
Total other interest payable and similar charges	59	419
	<hr/>	<hr/>



**Notes (continued)**

**9 Taxation**

**Total tax expense recognised in the profit and loss account, other comprehensive income and equity**

	<b>2019</b>		<b>2018</b>	
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<i>Current tax</i>				
Current tax on income for the period	1,249		1,784	
Adjustments in respect of prior periods	(15)		(206)	
		<hr/>		<hr/>
Total current tax		<b>1,234</b>		1,578
<i>Deferred tax (see note 19)</i>				
Origination and reversal of timing differences	95		(306)	
	<hr/>		<hr/>	
Total deferred tax		<b>95</b>		(306)
		<hr/>		<hr/>
Total tax		<b>1,329</b>		1,272
		<hr/> <hr/>		<hr/> <hr/>

	<b>£000</b>	<b>2019</b>	<b>£000</b>	<b>£000</b>	<b>2018</b>	<b>£000</b>	<b>£000</b>
	<b>Current tax</b>	<b>Deferred tax</b>	<b>Total tax</b>	<b>Current tax</b>	<b>Deferred tax</b>	<b>Total tax</b>	<b>Total tax</b>
Recognised in Profit and loss account	1,202	89	1,291	1,628	(306)	1,322	1,322
Recognised in other comprehensive income	32	6	38	(50)	-	(50)	(50)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total tax	<b>1,234</b>	<b>95</b>	<b>1,329</b>	1,578	(306)	1,272	1,272
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

*Analysis of current tax recognised in profit and loss*

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
UK corporation tax	266	359
Foreign tax	968	1,219
	<hr/>	<hr/>
Total current tax recognised in profit and loss	<b>1,234</b>	1,578
	<hr/> <hr/>	<hr/> <hr/>

## **Notes** *(continued)*

### **9**      **Taxation** *(continued)*

#### **Reconciliation of effective tax rate**

	<b>2019</b>	2018
	<b>£000</b>	£000
Profit for the year	<b>3,570</b>	4,299
Total tax expense	<b>1,329</b>	1,272
	<hr/>	<hr/>
Profit excluding taxation	<b>4,899</b>	5,571
Tax using the UK corporation tax rate of 19% (2018: 19%)	<b>931</b>	1,059
Effect of tax rates in foreign jurisdictions	<b>359</b>	374
Amortisation of intangibles/goodwill	-	(1)
Non-deductible expenses	<b>87</b>	46
Foreign tax losses not recognized	<b>(33)</b>	-
Under / (over) provided in prior years	<b>(15)</b>	(206)
	<hr/>	<hr/>
Total tax expense included in profit or loss	<b>1,329</b>	1,272
	<hr/>	<hr/>

## Notes (continued)

### 10 Intangible assets and goodwill

#### Group

	<b>Goodwill</b>	<b>Developed Technology</b>
	<b>Goodwill £000</b>	<b>£000</b>
<b>Cost</b>		
Balance at 1 April 2018	84	-
Acquired through business combinations (note 2)	-	4,066
	<hr/>	<hr/>
Balance at 31 March 2019	84	4,066
	<hr/>	<hr/>
<b>Amortisation and impairment</b>		
Balance at 1 April 2018	32	-
Amortisation for the year	5	-
	<hr/>	<hr/>
Balance at 31 March 2019	37	-
	<hr/>	<hr/>
<b>Net book value</b>		
At 1 April 2018	52	-
	<hr/>	<hr/>
<b>At 31 March 2019</b>	<b>47</b>	<b>4,066</b>
	<hr/> <hr/>	<hr/> <hr/>

#### *Amortisation and impairment charge*

The amortisation, impairment charge and impairment reversals are recognised in the following line items in the profit and loss account:

	<b>2019 £000</b>	<b>2018 £000</b>
Administrative expenses	5	4
	<hr/>	<hr/>
	5	4
	<hr/> <hr/>	<hr/> <hr/>

## Notes (continued)

### 11 Tangible fixed assets

<i>Group</i>	<b>Leasehold improvements £000</b>	<b>Plant and Machinery £000</b>	<b>Fixtures &amp; fittings £000</b>	<b>Total £000</b>
<b>Cost</b>				
Balance at 1 April 2018	707	3,496	664	4,867
Acquisitions through business combinations	31	1,095	68	1,194
Additions	13	161	40	214
Disposals	(68)	(101)	(1)	(170)
Effect of movements in foreign exchange	13	26	6	45
Balance at 31 March 2019	696	4,677	777	6,150
<b>Depreciation and impairment</b>				
Balance at 1 April 2017	444	2,929	233	3,606
Depreciation charge for the year	100	343	27	470
Disposals	(68)	(100)	(1)	(169)
Effect of movements in foreign exchange	1	15	(2)	14
Balance at 31 March 2018	477	3,187	257	3,921
<b>Net book value</b>				
At 1 April 2018	263	567	431	1,261
<b>At 31 March 2019</b>	<b>219</b>	<b>1,490</b>	<b>520</b>	<b>2,229</b>

#### *Company*

The company does not hold any tangible fixed assets.

**Notes** *(continued)*

**12 Fixed asset investments**

***Group***

The group does not hold any fixed asset investments.

<i>Company</i>	<b>Shares in group undertakings £000</b>
<b><i>Cost</i></b>	
At beginning of year	16,723
Additions (note 21)	1,434
	<hr/>
At end of year	18,157
	<hr/>
<b><i>Net book value</i></b>	
<b>At 31 March 2019</b>	<b>18,157</b>
	<hr/>
At 1 April 2018	16,723
	<hr/>

Shares in group undertakings are classified as assets measured at cost less impairment.

## Notes (continued)

### 12 Fixed asset investments (continued)

The undertakings in which the Group's and Company's interest at the year-end is more than 20% are as follows.

	Country of incorporation	Registered address	Principal activity	Class and percentage of shares held Group	Company
<b>Subsidiary undertakings</b>					
Datacard Limited	England	Forum 3 Farcham PO15 7JH	Specialised data embossing systems and supporting services	100%	100%
Nu Type Limited	England	Millway Rise Industrial Estate Axminster EX13 5HU	Manufacture of metal type print	100%	100%
Datacard France SAS	France	Zac Des Chatelliers 200 Rue Leonard De Vinci Semoy 45404 Fleury Les Aubrais Cedex	Specialised data embossing systems and supporting services	100%	100%
EntrustDatacard Deutschland GmbH	Germany	Niederlasser Lohweg 191 40547 Dusseldorf	Specialised data embossing systems and supporting services	100%	100%
Datacard Asia Pacific	Hong Kong	Suites 1404-06, 14/F 1063 King's Road, Quarry Bay, Hong Kong	Intercompany services	100%	100%
Datacard Mexico One LLC	USA	1187 Park Place Shakopee, MN 55379	Holding company	100%	100%
DCG Mexico, S De R.L. de C.V.	Mexico	Avenida Insurgentes Sur 1685 Oficina 1401 Piso 14 Col. Guadalupe Inn, Del. Alvaro Obregon Mexico. DF 01020 Mexico	Specialised data embossing systems and supporting services	100%	-
Datacard Mexico Two LLC	USA	1187 Park Place Shakopee, MN 55379	Holding company	100%	100%
MSP Professional Equipment Services, S. de R.L. de C.V.	Mexico	Heriberto Frias 1439, Desp. 402 Colonia Del Valle Delegacion Benito Juarez 03100 Mexico, D.F.	Intercompany services	100%	-
Entrust International LLC	USA	c/o NRAI 160 Greentree Dr., Ste 101 Dover, DE 19904	Intercompany services	100%	100%

## Notes (continued)

### 12 Fixed asset investments (continued)

Datacard Australia Pty. Ltd.		Australia	56A (BLD 5) 195 Wellington Road, Clayton, Victoria	Holding company	100%	100%
Entrust Datacard Pacific Pty. Ltd.	South	Australia	10 Nexus Court Suite 304, Level 3 Mulgrave VIC 3170 Australia	Specialised data embossing systems and supporting services	100%	-
Entrust Datacard Pacific (NZ) Limited	South	New Zealand	Unit 16E, 14-22 Triton Drive Rosedale, Auckland. 0632 New Zealand	Specialised data embossing systems and supporting services	100%	-
Entrust (Europe) Limited		United Kingdom	6 <sup>th</sup> Floor, Abbey Gardens Abbey Street Reading RG1 3BA United Kingdom	Intercompany services and software solutions	100%	100%
Entrust Datacard Europe, S.L.		Spain	Parque Empresarial la Finca Avenida del Club Deportivo 1 Bloque 3 28223 Pozuelo de Alarcón Madrid, Spain	Specialized data embossing systems and supporting services	100%	-
Safelayer Communications, S.A.	Secure	Spain	World Trade Center (s-4) s/n, Moll de Barcelona. 08039 Barcelona, Spain	Security software solutions	100%	-
Mousquestaires Holding ApS		Denmark	Park Allé 350D 2605 Brøndbyvester Denmark	Intercompany Services	100%	-
Entrust Datacard A/S	Denmark	Denmark	Park Alle 350D 2605 Brøndbyvester Denmark	Security software solutions	100%	-

## Notes (continued)

### 13 Stocks

	Group 2019 £000	2018 £000	Company 2019 £000	2018 £000
Raw materials and consumables	54	57	-	-
Work in progress	63	47	-	-
Finished goods	2,320	1,692	-	-
	<u>2,437</u>	<u>1,796</u>	<u>-</u>	<u>-</u>

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £14,984,000 (2018: £11,766,000). Company: £nil (2018: £nil).

### 14 Debtors

	Group 2019 £000	2018 £000	Company 2019 £000	2018 £000
Trade debtors	11,945	6,880	-	-
Amounts owed by group undertakings	13,151	19,920	8,673	12,998
Other debtors	277	37	-	-
Deferred tax assets (see note 19)	2,969	895	-	-
Corporation tax	392	221	121	-
Finance lease receivable	482	112	-	-
Prepayments and accrued income	2,898	2,039	-	-
Taxation and social security	13	190	-	-
	<u>32,127</u>	<u>30,294</u>	<u>8,794</u>	<u>12,998</u>
Due within one year	28,851	29,272	8,794	12,998
Due after more than one year	3,276	1,022	-	-
	<u>32,127</u>	<u>30,294</u>	<u>8,794</u>	<u>12,998</u>

The amounts owed by group undertakings include intra group loan balances as disclosed below. These are interest bearing loans which have been determined to be at an appropriate market rate of interest at inception and all relate to the group/company balance.

Loan of £5,250,000 (2018: £10,750,000) from Datacard International Limited to Entrust Datacard Limited bearing interest rate of 4.00%. The loan is repayable on demand and as such included in current debtors.

Loan of £568,906 (2018: £nil) from Datacard International Limited to Entrust Datacard South Pacific Pty, Ltd. bearing interest rate of 6.00%. The loan is repayable on demand and as such included in current debtors.

Loan of £750,000 (2018: £nil) from Datacard International Limited to Entrust (Europe) Limited bearing interest of 3.50%. The loan is repayable on demand and as such is included in current debtors.

The remaining group/company amounts owed by group undertakings are intra group trading balances for which no interest is charged.



**Notes** *(continued)*

**15 Finance lease receivable**

*Group*

	<b>2019</b>	2018
	<b>£000</b>	£000
<b>Gross investment in finance lease</b>		
Receivable not later than one year	193	102
Receivable later than one year and not later than 5 years	336	25
	<hr/>	<hr/>
Total gross investment in finance lease	529	127
Unearned finance income	(47)	(15)
	<hr/>	<hr/>
<b>Present value of minimum lease payments receivables</b>		
Receivable not later than one year	175	90
Receivable later than one year and not later than 5 years	307	22
	<hr/>	<hr/>
Total present value of minimum lease payments receivable	<u>482</u>	<u>112</u>

*Company*

The company does not hold any finance lease receivables.

**16 Cash and cash equivalents/ bank overdrafts**

	<b>Group</b>	2018	<b>Company</b>	2018
	<b>2019</b>	£000	<b>2019</b>	£000
	<b>£000</b>		<b>£000</b>	
Cash at bank and in hand	<b>21,583</b>	8,971	<b>1,694</b>	1,038
	<hr/>	<hr/>	<hr/>	<hr/>
Cash and cash equivalents per cash flow statement	<b>21,583</b>	8,971	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

## Notes (continued)

### 17 Creditors: amounts falling due within one year

	Group 2019 £000	2018 £000	Company 2019 £000	2018 £000
Trade creditors	1,233	585	-	-
Amounts owed to group undertakings	29,597	6,630	5,211	9,570
Corporation tax	642	887	-	-
Deferred tax (see note 19)	10	9	-	-
Taxation and social security	1,530	808	-	-
Accruals and deferred income	18,035	6,412	18	4
	<u>51,047</u>	<u>15,331</u>	<u>5,229</u>	<u>9,574</u>

#### Group

Loan of £27,000,000 (2018: £nil) from Entrust Datacard Corporation to Entrust (Europe) Limited bearing interest of 3.25%. The loan is repayable on demand and as such is included in current creditors.

#### Company

Loan of £5,210,780 (2018: £5,309,913) from Entrust Datacard Deutschland GmbH to Datacard International Limited bearing interest of 2.50%. The loan is repayable on demand and as such is included in current creditors.

The remaining amounts owed to group undertakings are intra group trading balance for which no interest is charged.

### 18 Creditors: amounts falling after more than one year

	Group 2019 £000	2018 £000	Company 2019 £000	2018 £000
Deferred tax (see note 19)	691	-	-	-
Accruals	711	507	-	-
Deferred Income	185	125	-	-
	<u>1,587</u>	<u>632</u>	<u>-</u>	<u>-</u>

## Notes (continued)

### 19 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	Assets		Liabilities		Net	
	2019	2018	2019	2018	2019	2018
	£000	£000	£000	£000	£000	£000
Accelerated capital allowances	539	136	(10)	-	529	136
Employee benefits	559	682	-	-	559	682
Unused tax losses	874	-	-	-	874	-
R&D tax credit carryovers	759	-	-	-	-	-
Intangible assets	-	-	(691)	-	(691)	-
Other	238	77	-	(9)	997	68
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net tax assets	2,969	895	(701)	(9)	2,268	886
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The UK corporation tax rates were reduced to 19% (effective from 1 April 2017) and to 17% (effective 1 April 2020) which were substantively enacted on 6 September 2017. The UK deferred tax asset at 31 March 2019 has been calculated based on this rate. The non-UK entities' deferred tax asset at 31 March 2019 has been calculated at the applicable jurisdiction statutory rate.

The future reduction will reduce the company's future current tax charge accordingly.

#### Company

The company does not have any deferred tax assets or liabilities (2018: £nil)

## Notes (continued)

### 20 Employee benefits

The group sponsors 2 defined benefit pension plans as set out below:

#### *Datacard Deutschland GmbH defined benefit pension plan*

The Company sponsors an unfunded, non-contributory pension plan for certain employees in Germany. The plan provides benefits based on a five year average of the employee's highest compensation. The rate of pension benefit is 0.50% per year of benefit service up to the Social Security Contribution Ceiling (SSCC) plus 1.75% on the excess for employees hired before 1988 and 0.35% per year up to the SSCC plus 1.20% on the excess for employees hired in 1988 or thereafter.

#### *Datacard France SAS defined benefit pension plan*

The Company sponsors unfunded retirement plans mandated by French law for all eligible employees in France. The plan provides the employee compensation based on the greater amount between the retirement allowance provided by the Collective Agreement or the legal compensation on retirement based on seniority.

The information disclosed below is in respect of the whole of the plans of the Group as the French scheme is not material. Each individual subsidiary is responsible for their own legal obligation.

#### *Net pension liability*

	<b>2019</b>	2018
	<b>£000</b>	£000
Defined benefit obligation	<b>3,574</b>	3,479
Pension liability	<b>3,574</b>	3,479

The pension liability is split between due under one year of £63,000 (2018: £72,000) and due after more than year of £3,511,000 (2018: £3,407,000)

#### *Movements in present value of defined benefit obligation*

	<b>2019</b>	2018
	<b>£000</b>	£000
At beginning of year	<b>3,479</b>	3,555
Current service cost	<b>102</b>	104
Interest expense	<b>58</b>	60
Re-measurement: actuarial (gains)/losses	<b>82</b>	(261)
Benefits paid	<b>(78)</b>	(68)
Exchange adjustments	<b>(69)</b>	89
<b>At end of year</b>	<b>3,574</b>	3,479

## Notes (continued)

### 20 Employee benefits (continued)

*Expense recognised in the profit and loss account*

	<b>2019</b>	2018
	<b>£000</b>	£000
Current service cost	<b>102</b>	104
Net interest on net defined benefit liability	<b>58</b>	60
	<hr/>	<hr/>
Total expense recognised in operating expenses in profit or loss account	<b>160</b>	164
	<hr/>	<hr/>

Principal actuarial assumptions (expressed as weighted averages) at the year-end were as follows:

	<b>2018</b>	2018
	<b>%</b>	<b>%</b>
Discount rate	<b>1.50-1.60</b>	1.60-1.69
Future salary increases	<b>2.25-3.00</b>	2.25-3.00
	<hr/>	<hr/>

The last full actuarial valuation was performed on March 31, 2019 for all plans disclosed above.

In valuing the liabilities of the pension fund at March 31, 2019, mortality assumptions have been made. The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The Germany plan uses the Heubeck 2018 G mortality tables and the Datacard France SAS plan uses INSEE TV/TD 2011-2013 mortality tables.

The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Germany
  - Current pensioner aged 65: 20.54 years (male), 24.07 years (female)
  - Future retiree upon reaching 65: 20.54 years (male), 24.07 years (female)
- France
  - Current pensioner aged 65: 18.89 years (male), 22.93 years (female)
  - Future retiree upon reaching 65: 18.89 years (male), 22.93 years (female)

### Defined contribution plans

#### *Group*

The Group operates a number of defined contribution pension plans.

The total expense relating to these plans in the current year was £826,000 (2018: £590,000)

## Notes (continued)

### 21 Capital and reserves

#### Share capital

	1% non-cumulative preference shares of £1 each	Ordinary shares
In thousands of shares		
On issue at 1 April 2017 and 31 March 2019 – fully paid	440	1,000
	<u>440</u>	<u>1,000</u>
	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
<i>Allotted, called up and fully paid</i>		
1,000,460 ordinary shares of £1 each	1,000	1,000
2 ordinary shares of £1 each to be issued	–	–
440,000 1% non-cumulative preference shares of £1 each	440	440
	<u>1,440</u>	<u>1,440</u>
	<u><b>1,440</b></u>	<u><b>1,440</b></u>
Shares classified as liabilities	–	–
Shares classified in shareholders' funds	1,440	1,440
	<u><b>1,440</b></u>	<u><b>1,440</b></u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

The holders of the 1% non-cumulative preference shares are entitled to receive preference over other shareholders in the declaration of dividends from time to time and in the event of a return of assets to shareholders.

As part of the acquisition of Entrust (Europe) Limited it was agreed that Datacard International Limited will issue 2 shares Datacard Cayman Islands (a subsidiary of Entrust Datacard Corporation). These shares were issued on 9 May 2019. As of 31 March 2019 these shares are considered shares to be issued. As required by section 611 of the Companies Act 2006, the Company has applied Group Reconstruction Relief in determining the premium on the shares to be issued of £1,434,000, being the difference between the nominal value of the shares to be issued and the base value of the assets and liabilities in the transferor company's accounting records immediately before the transfer.

## Notes (continued)

### 21 Capital and reserves (continued)

#### Other reserves (deficit)

Other reserves (deficit) consist of capital contributions received from the shareholder of the company on the acquisition of Entrust (Europe) Limited during 2019 (see note 2) as well as previous acquisitions received through capital contributions, being the difference between the value of consideration paid by the group and fair value of assets/liabilities contributed.

#### Group

	2019 £000	2018 £000
<b>Other reserves</b>		
Balance at 1 April 2018	13,048	13,048
Acquisition of Entrust (Europe) Limited	(20,141)	-
	<hr/>	<hr/>
Balance at 31 March 2019	(7,093)	13,048
	<hr/>	<hr/>

In connection with the acquisition of Entrust (Europe) Limited (£20,141,000) has been recognised in other reserves on the Group's statement of changes in equity. This amount is the difference between the fair value of the net liabilities at acquisition and the fair value of the consideration as explained in more detail in note 2. As the acquisition was from the Group's immediate parent company and is considered to be a transaction with a shareholder in its capacity as a shareholder, the difference between the fair value of the assets and liabilities acquired and the fair value of the consideration paid has been recorded directly in equity and not as goodwill.

#### Company

	2019 £000	2018 £000
<b>Other reserves</b>		
Balance at 1 April 2018	13,048	13,048
Capital contribution	-	-
	<hr/>	<hr/>
Balance at 31 March 2019	13,048	13,048
	<hr/>	<hr/>

## **Notes** *(continued)*

### **22 Operating leases**

Non-cancellable operating lease rentals are payable as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	2018	<b>2019</b>	2018
	<b>£000</b>	£000	<b>£000</b>	£000
Less than one year	<b>2,076</b>	1,517	-	-
Between one and five years	<b>4,667</b>	3,163	-	-
More than five years	<b>12</b>	133	-	-
	<b>6,755</b>	4,813	-	-

During the year £1,709,000 was recognised as an expense in the profit and loss account in respect of operating leases (2018: £1,417,000). The group has also entered into non-cancellable operating lease rentals as lessor. The future minimum lease receivables are £175,000 to be received in less than one year (2018: £112,000) and £307,000 receivable after more than 1 year (2018: £22,000).

### **23 Related parties**

#### **Group**

##### *Transactions with key management personnel*

Total compensation of key management personnel (including the directors) in the year amounted to £nil (2018: £nil). Services provided by key management employed by the ultimate parent undertaking are estimated to be £20,000 (2018: £20,000).



## Notes (continued)

### 22 Related parties (continued)

#### *Other related party transactions*

During the year the group purchased goods for resale to customers from Entrust Datacard Corporation and other group owned entities and Entrust Limited. The group also purchased services from Entrust Datacard Corporation and sold services back to them during the year. The value of these transactions is as follows:

	Sales		Purchases	
	2019 £000	2018 £000	2019 £000	2018 £000
Entities with control, joint control or significant influence over the Group	32,328	30,977	17,905	15,984
	<u>32,328</u>	<u>30,977</u>	<u>17,905</u>	<u>15,984</u>

	Receivables outstanding		Creditors outstanding	
	2019 £000	2018 £000	2019 £000	2018 £000
Entities with control, joint control or significant influence over the Group	7,901	8,293	2,597	2,428
	<u>7,901</u>	<u>8,293</u>	<u>2,597</u>	<u>2,428</u>

During 2019 and 2018 the Group entered into an agreement to acquire certain other entities within the Entrust Datacard Corporation group of companies. Information in respect of these related party transactions is provided in Note 2 to the financial statements.

The company has no other related party transactions.

### 24 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Datacard Cayman Islands. The ultimate parent is Entrust Datacard Corporation.

The largest and only group in which the results of the Company and its group are consolidated is that headed by Entrust Datacard Corporation, incorporated in the United States of America. The consolidated financial statements of this group are not available to the public.

The following subsidiary companies of Datacard International Limited have taken the available audit exemption based on the accounts of the parent company being audited:

Datacard Limited – 3056930

Entrust (Europe) Limited – 3403634

Nu-Type Limited - 2165728

## **Notes (continued)**

### **25 Subsequent Events**

The Company has evaluated subsequent events from the consolidated balance sheet through 3 June 2020, the date at which the annual report and consolidated financial statements were available to be issued.

On 6 June 2019, Entrust Datacard Corporation purchased Thales' general purpose hardware security module business (nCIPHER). Datacard International Limited is the acquirer of nCIPHER operations in the UK and Hong Kong with the funding coming through an injection of equity and intercompany debt from Entrust Datacard Group

In June 2019, Entrust Datacard Corporation contributed its loan note receivable from Entrust (Europe) Limited to Datacard Cayman Islands, who in turn contributed it to the Company. The value of the loan note at the time of contribution was £25,750,000.

### **26 Accounting estimates and judgements**

In preparing these consolidated financial statements, management has made estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

- Note 3 – allocation of consideration between elements of supply and service contracts. Consideration is allocated to goods and services based on fair value, which is estimated with reference to stand-alone selling prices.
- Note 20 – measurement of defined benefit obligations: key actuarial assumptions. The Company utilizes a third party actuary to assist with determining key actuarial assumptions and the measurement of defined benefit obligations. Key actuarial assumptions include discount rates, salary increases, pension increase rates, inflation, turnover rates, mortality and retirement age.
- Note 2 – acquisition of subsidiary undertakings: fair value of the assets acquired and liabilities assumed. In the Company's judgement, for acquisitions made during the period, with the exception of identified intangible assets and associated deferred tax, there is no difference between book value and fair value in tangible assets acquired and liabilities assumed. The Company utilized discounted cash flow modeling as well as taking into account cash consideration paid for certain transactions to determine the fair value of the contributions and identified intangible assets.
- Note 2 and 21 – in the Company's judgment the acquisition of Entrust (Europe) Limited occurred on 31 March 2019. The company considered the agreements in place and all subsequent information including when the shares of the company were issued and believes the transaction is binding and irrevocable such that the company obtained beneficial ownership as of 31 March 2019.

### **27 Contingent liability**

There is ongoing litigation against Datacard Limited with respect to employee and other matters. In consultation with its legal counsel, management has assessed the likelihood of a ruling against the company to be remote and estimates the total potential exposure to be £200,000. As management does not expect the litigation to be successful given the facts and circumstances of the claim, no provision has been made in these financial statements.