

Registered number: 06195781

MORPHO UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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MORPHO UK LIMITED

COMPANY INFORMATION

Directors	Mr A J Grenier Mr P F Naldrett Mr Y C Charvin
Registered number	06195781
Registered office	255 Wharfedale Road Winnersh Triangle Wokingham Berkshire RG41 5TP
Independent auditor	Mazars LLP Chartered Accountants and Statutory Auditor Tower Bridge House St Katharine's Way London E1W 1DD

MORPHO UK LIMITED

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MORPHO UK LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

Business review

Revenue for the year is lower than what was achieved in 2015 by approximately £1.15M. This is due to the phasing of programme deliveries to our customers. The directors are continuing to review UK strategy and resources to deliver growth.

Principal risks and uncertainties

The company is reliant on certain major contracts which are all based in the UK. The renewal of these contracts are uncertain and are based on performance criteria. The directors do not consider that the UK's exit from the EU will have a significant impact on these contracts. Otherwise the directors do not consider that the business faces any principal risk and uncertainties and works closely with the parent company Morpho SAS to ensure that all risks facing the business are adequately monitored and managed.

Financial key performance indicators

(Decline)/growth in sales:

2016: £-1.15m, -14% (2015: £794k, 11%)

Gross Profit:

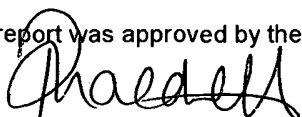
2016: £-1.44m, -71% (2015: £128k, 7%)

Please refer to the commentary above on business performance during the year.

Future developments/outlook

On 31 May 2017 Oberthur Technologies SA acquired Morpho SAS and its group of companies including Morpho UK Limited. The directors consider that the company, as part of a world leading digital security and identification technologies group, is well placed to leverage these technologies to UK customers.

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



Mr P F Naldrett
Managing Director

Date: 22 - 9 - 17

MORPHO UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their report and the financial statements for the year ended 31 December 2016.

Principal activity

The principal activity of the company during the year continued to be that of supply and service of high-tech biometric identity systems to UK customers.

Results and dividends

The loss for the year, after taxation, amounted to £763,469 (2015 - profit £192,515).

The directors proposed a dividend for 2016 of £nil (2015 - £190,000). The dividends recorded in the financial statements are recognised when they are required to be under accounting standards.

Directors

The directors who served during the year were:

Mr A J Grenier
Mr O Lafaye (resigned 18 February 2016)
Mr P F Naldrett
Mrs M Gay (resigned 31 May 2017)
Mr F Henrion (resigned 31 May 2017)
Mr Y C Charvin (appointed 19 February 2016)

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS102 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

MORPHO UK LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016**

Matters covered in the strategic report

As permitted by paragraph 1a of schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 certain matters which are required to be disclosed in the Directors' Report have been omitted as they are included in the Strategic Report on Page 1. These matters relate to the business review, principal risks and uncertainties and financial key performance indicators.

Disclosure of information to auditor

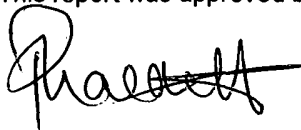
Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditors

The auditor, Mazars LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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



Mr P F Naldrett
Director

Date: 22-9-17

MORPHO UK LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MORPHO UK LIMITED

We have audited the financial statements of Morpho UK Limited for the year ended 31 December 2016 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. 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.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS102 "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

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

MORPHO UK LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MORPHO UK LIMITED

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and the Directors' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies' exemption in preparing the Directors' Report.



Jonathan Seaman (Senior Statutory Auditor)

for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor

Tower Bridge House

St Katharine's Way

London

E1W 1DD

Date: 26 September 2017

MORPHO UK LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 £	2015 £
Turnover	4	6,805,306	7,955,296
Cost of sales		(6,219,177)	(5,931,617)
Gross profit		586,129	2,023,679
Administrative expenses		(1,359,838)	(1,742,086)
Operating (loss)/profit	5	(773,709)	281,593
Interest receivable and similar income	9	-	28
(Loss)/profit before tax		(773,709)	281,621
Tax on (loss)/profit	10	10,240	(89,106)
(Loss)/profit for the year		(763,469)	192,515
Other comprehensive income:			
Other comprehensive income for the year net of tax		-	-
Total comprehensive income for the year		-	-

All amounts relate to continuing operations.

The notes on pages 10 to 22 form part of these financial statements.

MORPHO UK LIMITED
REGISTERED NUMBER: 06195781

BALANCE SHEET
AS AT 31 DECEMBER 2016

	Note	2016 £	2015 £
Fixed assets			
Tangible assets	12	66,532	88,334
		<u>66,532</u>	<u>88,334</u>
Current assets			
Debtors: amounts falling due within one year	13	1,213,517	1,220,727
Cash at bank and in hand		1,519,880	2,764,293
		<u>2,733,397</u>	<u>3,985,020</u>
Creditors: amounts falling due within one year	14	(1,213,574)	(1,533,530)
Net current assets		<u>1,519,823</u>	<u>2,451,490</u>
Total assets less current liabilities		<u>1,586,355</u>	<u>2,539,824</u>
Provisions for liabilities			
Other provisions	17	(298,113)	(298,113)
		<u>(298,113)</u>	<u>(298,113)</u>
Net assets		<u>1,288,242</u>	<u>2,241,711</u>
Capital and reserves			
Called up share capital	18	500,000	500,000
Profit and loss account		788,242	1,741,711
Total Shareholder funds - Equity		<u>1,288,242</u>	<u>2,241,711</u>

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

Mr P F Naldrett
 Director

Date: 22-9-17

The notes on pages 10 to 22 form part of these financial statements.

MORPHO UK LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital £	Retained earnings £	Total equity £
At 1 January 2016	500,000	1,741,711	2,241,711
Loss for the year	-	(763,469)	(763,469)
Dividends: Equity capital	-	(190,000)	(190,000)
At 31 December 2016	500,000	788,242	1,288,242

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

	Share capital £	Retained earnings £	Total equity £
At 1 January 2015	500,000	1,949,196	2,449,196
Profit for the year	-	192,515	192,515
Dividends: Equity capital	-	(400,000)	(400,000)
At 31 December 2015	500,000	1,741,711	2,241,711

The notes on pages 10 to 22 form part of these financial statements.

MORPHO UK LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016**

	2016 £	2015 £
Cash flows from operating activities		
(Loss) / profit for the financial year	(763,469)	192,515
Adjustments for:		
Depreciation of tangible assets	30,904	65,598
Interest received	-	(28)
Taxation	(10,240)	89,106
(Increase)/decrease in debtors	(173,627)	65,523
Decrease in amounts owed by group companies	170,738	401,641
(Decrease)/ increase in creditors	(522,670)	841,816
Increase/(decrease) in amounts owed to group companies	146,096	(785,751)
Corporation tax	76,957	(74,015)
Net cash generated from operating activities	(1,045,311)	796,405
Cash flows from investing activities		
Purchase of tangible fixed assets	(9,102)	(2,008)
Interest received	-	28
Net cash from investing activities	(9,102)	(1,980)
Cash flows from financing activities		
Dividends paid	-	(400,000)
Dividends unpaid	(190,000)	-
Net cash used in financing activities	(190,000)	(400,000)
Net (decrease) / increase in cash and cash equivalents	(1,244,413)	394,425
Cash and cash equivalents at beginning of year	2,764,293	2,369,868
Cash and cash equivalents at the end of year	1,519,880	2,764,293
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	1,519,880	2,764,293
	1,519,880	2,764,293

MORPHO UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. Company information

The company is a private limited company (registration number 06195781), which is incorporated in the United Kingdom. The address of the registered office is 255 Wharfedale Road, Winnersh Triangle, Wokingham, Berkshire, RG41 5TP. The principal activity is disclosed in the Directors' report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Going concern

The company has cash resources and has no requirement for external funding. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. They continue to believe the going concern basis of accounting is appropriate in preparing the annual financial statements.

2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably, and;
- the costs incurred and the costs to complete the contract can be measured reliably.

MORPHO UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.4 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold improvements	- 33.3% straight line
Office equipment	- 33.3% straight line
Computer equipment	- 33.3% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the Statement of Comprehensive Income.

2.5 Operating leases: Lessee

Rentals paid under operating leases are charged to the profit or loss on a straight line basis over the period of the lease.

2.6 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.7 Cash and cash equivalents

Cash is represented by cash in hand and deposits with Safran SA (ultimate parent company) repayable without penalty on notice.

2.8 Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable.

2.9 Creditors

Short term creditors are measured at the transaction price.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2. Accounting policies (continued)

2.10 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement except when deferred in other comprehensive income as qualifying cash flow hedges.

2.11 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

2.12 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

2.13 Interest income

Interest income is recognised in the Profit and Loss Account using the effective interest method.

2.14 Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Asset retirement obligations are capitalised as part of the cost of the asset in the year that the company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

MORPHO UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2. Accounting policies (continued)

2.15 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Income Statement.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The application of the Company's accounting policies requires the directors to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and of income and expense. These estimates and associated assumptions are based on historical experience and various other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making judgments about the net book amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision only affects that year, or in the year of revision and future years if the revision affects both current and future years.

MORPHO UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

3.1 Critical judgements in applying the accounting policies

a) Deferred tax

The statement of financial position includes a deferred tax asset. The directors consider that it is probable that the company will generate sufficient taxable profits in future to enable this asset to be recovered. In the event that this is not the case or that there are adverse changes in tax legislation, some or all of this asset may no longer be recoverable.

b) Provisions

Provisions are recognised when the group has a present obligation as a result of a past event, and it is probable that the group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the statement of financial position date, and are discounted to present value where the effect is material.

3.2 Key sources of estimation uncertainty

There are no key assumptions concerning the future and other key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. Analysis of turnover

An analysis of turnover by class of business is as follows:

	2016 £	2015 £
Service and Maintenance	3,330,915	4,263,868
Inter-company	3,474,391	3,691,428
	<u>6,805,306</u>	<u>7,955,296</u>

Analysis of turnover by country of destination:

	2016 £	2015 £
United Kingdom	3,546,617	4,253,282
Rest of Europe	2,865,806	3,335,699
Rest of the world	392,883	366,315
	<u>6,805,306</u>	<u>7,955,296</u>

MORPHO UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

5. Operating (loss)/profit

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

	2016 £	2015 £
Depreciation of tangible fixed assets	30,904	65,598
Exchange differences	46,930	6,952
Operating lease rentals	235,233	224,195
Defined contribution pension cost	307,152	287,063
	<u>307,152</u>	<u>287,063</u>

6. Auditor's remuneration

	2016 £	2015 £
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	22,750	22,750
(Over)/under accrual from prior year	-	(7,603)
	<u>22,750</u>	<u>15,147</u>

7. Employees

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

	2016 £	2015 £
Wages and salaries	2,718,769	2,695,361
Social security costs	340,741	339,801
Cost of defined contribution scheme	307,152	287,063
	<u>3,366,662</u>	<u>3,322,225</u>

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

	2016 No.	2015 No.
Employees	<u>41</u>	<u>39</u>

MORPHO UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

8. Directors' remuneration

	2016	2015
	£	£
Directors' emoluments	184,678	274,389
Company contributions to defined contribution pension schemes	28,105	-
	<u>212,783</u>	<u>274,389</u>

The highest paid director received remuneration of £184,678 (2015 - £143,560). The key management personnel of the company are considered to be the directors, whose remuneration is given above.

9. Interest receivable

	2016	2015
	£	£
Other interest receivable	-	28
	<u>-</u>	<u>28</u>

10. Taxation

	2016	2015
	£	£
Corporation tax		
Current tax on profits for the year	(20,339)	100,224
	<u>(20,339)</u>	<u>100,224</u>
Group taxation relief	-	(16,124)
Total current tax (credit)/charge	<u>(20,339)</u>	<u>84,100</u>
Deferred tax		
Origination and reversal of timing differences	10,099	5,006
Total deferred tax	<u>10,099</u>	<u>5,006</u>
Taxation on (loss)/profit on ordinary activities	<u>(10,240)</u>	<u>89,106</u>

MORPHO UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is the same as (2015 - higher than) the standard rate of corporation tax in the UK of 20.00% (2015 - 20.25%). The differences are explained below:

	2016 £	2015 £
(Loss)/profit on ordinary activities before tax	(773,709)	281,621
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.00% (2015 - 20.25%)	(154,742)	57,028
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	4,848	11,929
Capital allowances for year in excess of depreciation	1,002	738
Other timing differences leading to an increase (decrease) in taxation	138,652	30,529
Changes in provisions leading to an increase (decrease) in the tax charge	-	5,006
Group relief	-	(16,124)
Total tax charge for the year	(10,240)	89,106

Factors that may affect future tax charges

The company has estimated losses of £749,104 (2015 £nil), available for carry forward against future trading profits.

11. Dividends

	2016 £	2015 £
Dividends paid on ordinary shares	-	400,000
Dividends proposed - paid March 2017	190,000	-
	190,000	400,000

MORPHO UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

12. Tangible fixed assets

	Leasehold improve- ments £	Office equipment £	Computer equipment £	Total £
Cost or valuation				
At 1 January 2016	334,989	89,699	118,657	543,345
Additions	-	-	9,102	9,102
At 31 December 2016	<u>334,989</u>	<u>89,699</u>	<u>127,759</u>	<u>552,447</u>
Depreciation				
At 1 January 2016	256,347	89,256	109,408	455,011
Charge for the period	22,965	334	7,605	30,904
At 31 December 2016	<u>279,312</u>	<u>89,590</u>	<u>117,013</u>	<u>485,915</u>
Net book value				
At 31 December 2016	<u>55,677</u>	<u>109</u>	<u>10,746</u>	<u>66,532</u>
At 31 December 2015	<u>78,642</u>	<u>443</u>	<u>9,249</u>	<u>88,334</u>

13. Debtors: Amounts falling due within one year

	2016 £	2015 £
Trade debtors	688,507	555,230
Amounts owed by group companies	349,002	519,740
Other debtors	3,214	709
Prepayments and accrued income	150,652	112,807
Deferred taxation	22,142	32,241
	<u>1,213,517</u>	<u>1,220,727</u>

MORPHO UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

14. Creditors: Amounts falling due within one year

	2016 £	2015 £
Trade creditors	62,924	62,586
Amounts owed to group undertakings	172,003	25,907
Corporation tax	169,578	112,960
Taxation and social security	175,284	201,427
Other creditors	214,672	-
Accruals and deferred income	419,113	1,130,650
	<u>1,213,574</u>	<u>1,533,530</u>

15. Financial instruments

	2016 £	2015 £
Financial assets		
Financial assets measured at amortised cost	2,560,603	3,839,974
	<u>2,560,603</u>	<u>3,839,974</u>
Financial liabilities		
Financial liabilities measured at amortised cost	(259,599)	(88,493)
	<u>(259,599)</u>	<u>(88,493)</u>

Financial assets measured at amortised cost comprise of trade debtors, amounts owed by group undertaking, other debtors and cash balances.

Financial liabilities measured at amortised cost comprise of trade creditors, other creditors and amount owed to group undertakings.

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16. Deferred taxation

	Deferred tax £
At 1 January 2016	32,241
Charged to the profit or loss	(10,099)
At 31 December 2016	<u>22,142</u>

The deferred tax asset is made up as follows:

	2016 £	2015 £
Accelerated capital allowances	22,142	32,241
	<u>22,142</u>	<u>32,241</u>

The company has an unrecognised deferred tax asset of £142,330 in relation to trading losses.

17. Provisions

	Other provision £
At 1 January 2016	298,113
At 31 December 2016	<u>298,113</u>

The dilapidation provision relates to restoring/repairing the buildings under operating leases at the end of the lease.

18. Share capital

	2016 £	2015 £
Allotted, called up and fully paid		
500,000 Ordinary shares of £1 each	<u>500,000</u>	<u>500,000</u>

Reserves comprises of retained earnings which represent the cumulated profits and losses of the entity.

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19. Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately to those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £307,152 (2015 - £287,063) contributions totalling £24,672 (2015 - £nil) were payable to the fund at the balance sheet date and are included in creditors.

20. Commitments under operating leases

At 31 December 2016 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2016 £	2015 £
Not later than 1 year	264,305	264,305
Later than 1 year and not later than 5 years	396,458	660,763
Total	660,763	925,068

21. Related party transactions

The company has taken advantage of the exemption available under FRS102 and has not disclosed transactions with the companies that are included in the consolidated financial statements of the Safran SA Group.

Transactions with related parties are as follows:

	2016 £	2015 £
CFM Materials LP		
Recharges for support services	392,883	366,315
Amounts owed from related party	22,227	58,681
Sagem Security Ireland Limited		
Recharge for support services	41,964	22,277
Amounts owed from related party	6,803	11,632

CFM Materials LP and Sagem Security Ireland Limited are related parties through investment via the ultimate parent company, Safran SA Group.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

22. Post balance sheet events

On 31 May 2017 Safran SA disposed of the group of companies headed by Morpho SAS to Oberthur Technologies SA, a subsidiary of Oberthur Technologies Holding SAS. Morpho UK Limited's immediate parent company remains Morpho SAS.

23. Controlling party

At 31 December 2016, the company was a 100% owned subsidiary of Morpho SAS, a company incorporated in France, which is parent of the smallest group of which the company is a member. Morpho SAS was a subsidiary of Safran SA.

At the year end the directors recognised Safran SA, a company incorporated in France, as the ultimate parent undertaking and controlling party.

On 31 May 2017 Safran SA disposed of the group of companies headed by Morpho SAS to Oberthur Technologies SA, a subsidiary of Oberthur Technologies Holdings SAS.

Following the acquisition the directors recognise Advent International Corporation, of which Oberthur Technologies SA is a subsidiary, as the ultimate parent undertaking and controlling party.

The accounts of Morpho SAS are available at 11, boulevard Galliéni, Issy-les-Moulineaux, 92130 France

The consolidated accounts of Safran SA are available at 2, boulevard du general Martial Valin, 75724 Paris Cedex 15 France.

The most senior parent entity producing publicly available financial statements is Oberthur Technologies Holdings SAS. These financial statements are available from 420 rue d'Estinne d'Orves, CS40008, F.92 705 Colombes, Paris, France.