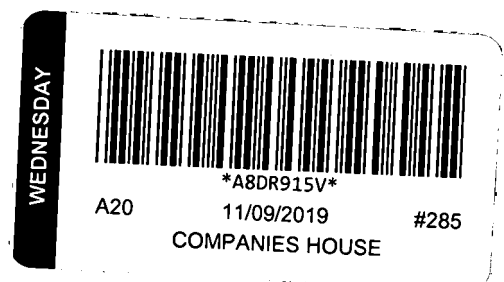


**S3 ID LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 DECEMBER 2018**



# S3 ID LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	M Menon R W Speirs A W H Jeffery P D Rowe
<b>Company number</b>	06446851
<b>Registered office</b>	Bow Bridge Close Rotherham South Yorkshire S60 1BY
<b>Auditors</b>	RSM UK Audit LLP Chartered Accountants Rivermead House 7 Lewis Court Grove Park Enderby Leicestershire LE19 1SD

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# **S3 ID LIMITED**

## **STRATEGIC REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2018**

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The directors present the strategic report and financial statements for the year ended 31 December 2018.

#### **Fair review of the business incorporating key performance indicators**

2018 has been a difficult year for S3 ID Limited. Turnover fell by 39% to £1.8m (2017: £3m) primarily due to the lag in the recovery of investment in operating assets, such as offshore rigs and floating platforms, by the major oil companies. This was caused by the sustained fall in the price of crude oil between 2014-2017. Increased levels of competitor activity, a more cost-conscious customer and oil prices normalising at lower levels than previously enjoyed have all contributed to lower contract values than previously experienced. Due to increased customer activity outside Europe and new S3 ID products coming on line in 2019, turnover in the next financial year is expected to be significantly higher than that achieved this year.

The company has continued to invest in new products and software to ensure the highest quality, lowest cost systems can be offered to our customers. In addition, a new managing director has been brought in following the retirement of John Caldwell. An accomplished Digital and Technology Executive with a proven track record in building technology businesses, Mahesh Menon has the ideal background and skill set to drive S3 ID towards the sales and product development targets set by the company shareholders.

The strategy of maintaining the required skills within the business to achieve the targeted mid-term growth, and not engaging in short term cost cutting, together with the amount of research and development which has been expended in 2018, has resulted in an increase in the average number of staff to 29 (an increase of 21%, mainly in the software team) and an operating loss of £816k for the period (2017: profit of £139k).

At the year end the company had shareholders' funds of £0.9m (2017: £1.7m) including distributable reserves of £125k (2017: £934k) leaving an adequate financial position. The net current assets position at the year-end was £0.5m (2017: £1.3m), including cash balances of £358k (2017: £921k). Whilst there has been a deterioration in the balance sheet position as a result of the loss experienced during the year, management still consider that the company has a satisfactory financial position from which it can build and grow.

#### **Research and development activities**

Significant expenditure and time have been invested in 2018 in the creation of new products and software technologies which has required an increase in functional key staff. The results of this have enabled the development of wireless communication interfaces and protocols to enhance our existing portfolio. In addition to our next generation solutions, these will significantly improve our position as the preferred supplier to our increasing base of global customers.

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

The directors have assessed the principal risk facing the company as being the potential impact of the global macro-economic environment in which the business operates, particularly reduced oil prices. On an ongoing basis the directors seek to manage this risk by maintaining quality service levels, broadening the company's high-quality customer base further and closely monitoring global financial markets.

The company is also reliant on certain major oil companies for contracts which are subject to competitive tender. The award of these contracts is based on financial and performance criteria. The company plans to move into vertical markets thereby increasing scope and naturally reducing this risk.

# **S3 ID LIMITED**

## **STRATEGIC REPORT (CONTINUED)**

### **FOR THE YEAR ENDED 31 DECEMBER 2018**

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#### **Financial risk management objectives and policies**

**Foreign exchange risk** - the company uses forward foreign currency contracts to reduce exposure to the variability of foreign exchange rates by fixing the rate of any material payments/receipts in a foreign currency.

**Price risk** arises on financial instruments because of changes in, for example, commodity prices or equity prices. The company is not materially exposed to such risk.

**Credit risk** is the risk that one party to a financial instrument will cause a financial loss for that other party by failing to discharge an obligation. Company policies are aimed at minimising such losses and require that deferred terms are only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures. Details of the company's debtors are shown in note 12 to the financial statements.

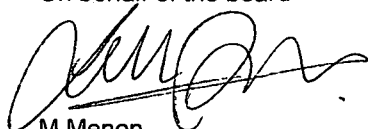
**Liquidity risk** is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The company aims to mitigate liquidity risk by managing cash generation by its operations, applying cash collection targets within the company, and the availability of prearranged revolving credit facilities.

**Cash flow risk** is the risk of exposure to variability in cash flows that is attributable to a particular risk associated with the recognised asset or liability such as future interest payments on a variability rate debt. The company considers that cash flow risk is not material for the assessment of the assets, liabilities, financial position and profit or loss of the company.

#### **Future developments**

The directors are confident that the long-term outlook for the oil and gas market, and the demand for the company's solutions remains positive. In addition, with a new managing director, growth strategies which include moving into vertical markets and the new innovative products currently in the final phase of development, the 2019 budget predicts significant growth and a fast return to profitability. This confidence in the long-term outlook for the company has been fully supported by CSE Global Group, its ultimate major shareholder.

On behalf of the board



M Menon

Director

3<sup>rd</sup> May 2019

# **S3 ID LIMITED**

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2018**

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The directors present their annual report and financial statements for the year ended 31 December 2018.

#### **Principal activities**

The principal activity of the company is the design and manufacture of 'location awareness' solutions spanning personnel and asset tracking, personnel on board or on site (POB/POS), mustering, access control, safety and security and finally travel logistics management, in hazardous areas.

#### **Directors**

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

M Menon	(Appointed 10 September 2018)
J C Caldwell	(Resigned 28 March 2019)
A W H Jeffery	
P D Rowe	
R W Speirs	

#### **Results and dividends**

The results for the year are set out on page 7. The loss for the year after taxation amounted to £809,060 (2017: £71,860 profit).

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

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

#### **Auditor**

In accordance with the company's articles, a resolution proposing that RSM UK Audit LLP be reappointed as auditor of the company will be put at a General Meeting.

#### **Strategic report**

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's Strategic Report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the Directors' Report. It has done so in respect of its principal risks, financial risk management, future developments, research and development activities and a review of its business.

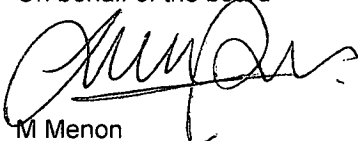
#### **Directors' indemnity insurance**

The company maintained indemnity insurance cover during the year for the benefit of its directors under a directors and officers liability insurance policy against liabilities which may be incurred by them whilst carrying out their duties.

#### **Statement of disclosure to auditor**

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board



M Menon

Director

3<sup>rd</sup> May 2019

# **S3 ID LIMITED**

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

### **FOR THE YEAR ENDED 31 DECEMBER 2018**

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The directors are responsible for preparing the Strategic Report and 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF S3 ID LIMITED

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## Opinion

We have audited the financial statements of S3 ID Limited (the 'company') for the year ended 31 December 2018 which comprise the statement of total comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

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

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF S3 ID LIMITED

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

In the light of the 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 in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, 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.

## **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 4 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities> This description forms part of our auditor's report.

## **Use of our report**

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

*RSM UK Audit LLP*

Gareth Jones (Senior Statutory Auditor)  
For and on behalf of RSM UK Audit LLP, Statutory Auditor  
Chartered Accountants  
Rivermead House  
7 Lewis Court  
Grove Park  
Enderby  
Leicestershire  
LE19 1SD

Date 22/5/19



## S3 ID LIMITED

### STATEMENT OF TOTAL COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £	2017 £
Turnover	3	1,833,358	3,003,620
Cost of sales		(1,115,181)	(1,462,807)
<b>Gross profit</b>		<b>718,177</b>	<b>1,540,813</b>
Distribution costs		(936,250)	(696,160)
Administrative expenses		(597,570)	(705,840)
<b>Operating (loss)/profit</b>	4	<b>(815,643)</b>	<b>138,813</b>
Fair value gains and losses on foreign exchange contracts		(14,545)	-
<b>(Loss)/profit before taxation</b>		<b>(830,188)</b>	<b>138,813</b>
Taxation	8	21,128	(66,953)
<b>(Loss)/profit for the financial year</b>		<b>(809,060)</b>	<b>71,860</b>
<b>Total comprehensive (loss)/income for the year</b>		<b>(809,060)</b>	<b>71,860</b>

The statement of total comprehensive income has been prepared on the basis that all operations are continuing.

**S3 ID LIMITED****STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2018**

	Notes	2018 £	£	2017 £	£
<b>Fixed assets</b>					
Goodwill	9		-		-
Other intangible assets	9		368,712		415,574
Total intangible assets			368,712		415,574
Tangible assets	10		20,151		54,589
			388,863		470,163
<b>Current assets</b>					
Stocks	11	45,117		38,545	
Debtors	12	850,121		827,704	
Cash at bank and in hand		357,991		920,906	
			1,253,229		1,787,155
<b>Creditors: amounts falling due within one year</b>	13	(712,779)		(497,817)	
Net current assets			540,450		1,289,338
<b>Total assets less current liabilities</b>			929,313		1,759,501
<b>Provisions for liabilities</b>	14		(54,487)		(75,615)
<b>Net assets</b>			874,826		1,683,886
<b>Capital and reserves</b>					
Called up share capital	16	750,000		750,000	
Profit and loss reserves	16	124,826		933,886	
<b>Total equity</b>			874,826		1,683,886

The financial statements were approved by the board of directors and authorised for issue on the 3<sup>rd</sup> May 2019 and are signed on its behalf by:



M. Menon  
Director

# **S3 ID LIMITED**

## **STATEMENT OF CHANGES IN EQUITY**

### **FOR THE YEAR ENDED 31 DECEMBER 2018**

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	<b>Share capital</b>	<b>Profit and loss reserves</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Balance at 1 January 2017</b>	<u>750,000</u>	<u>862,026</u>	<u>1,612,026</u>
<b>Period ended 31 December 2017:</b>			
Profit and total comprehensive income for the year	<u>-</u>	<u>71,860</u>	<u>71,860</u>
<b>Balance at 31 December 2017</b>	<u>750,000</u>	<u>933,886</u>	<u>1,683,886</u>
<b>Period ended 31 December 2018:</b>			
Profit and total comprehensive loss for the year	<u>-</u>	<u>(809,060)</u>	<u>(809,060)</u>
<b>Balance at 31 December 2018</b>	<u>750,000</u>	<u>124,826</u>	<u>874,826</u>

# **S3 ID LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2018**

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#### **1 Accounting policies**

##### **Company information**

S3 ID Limited is a limited company domiciled and incorporated in England and Wales. The registered office is Bow Bridge Close, Rotherham, South Yorkshire, S60 1BY.

The company's principal activities are disclosed in the Directors' Report.

##### **Accounting convention**

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

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

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

In accordance with FRS102, the company has taken advantage of the exemptions from the following disclosure requirements:

- Section 4 'Statement of financial position' – Reconciliation of the opening and closing number of shares.
- Section 7 'Statement of cash flows' - Presentation of a Statement of Cash Flow and related notes and disclosures.
- Section 11 'Basic financial instruments' & Section 12 'Other financial instrument issues' - Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument.
- Section 33 'Related party disclosures' - Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of S3 ID Group Limited. The consolidated financial statements of S3 ID Group Limited are available from its registered office Bow Bridge Close, Rotherham, S60 1BY.

##### **Going concern**

The directors have at the time of approving the financial statements, a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

##### **Turnover**

Turnover is recognised at the fair value of the consideration received or receivable for sale of goods and services to external customers in the ordinary nature of the business. The fair value of consideration takes into account trade discounts and settlement discounts. Turnover is shown net of Value Added Tax.

Turnover from contracts for the provision of services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, turnover is recognised only to the extent of the expenses recognised that are recoverable.

# S3 ID LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 1 Accounting policies (continued)

##### **Intangible fixed assets - goodwill**

Goodwill represents the excess of the cost of acquisition of unincorporated businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is capitalised and written off evenly over 10 years as in the opinion of the directors, this represents the period over which the goodwill is expected to give rise to economic benefits.

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

##### **Intangible fixed assets other than goodwill**

The company capitalises development expenditure as an intangible asset when it is able to demonstrate all of the following;

- (a) The technical feasibility of completing the development so the intangible asset will be available for use or sale.
- (b) Its intention to complete the development and to use or sell the intangible asset.
- (c) Its ability to use or sell the intangible asset.
- (d) How the intangible asset will generate probable future economic benefits.
- (e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- (f) Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Capitalised development expenditure is initially recognised at cost and subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

All research and development expenditure that does not meet the above conditions is expensed as incurred

Intangible assets purchased other than in a business combination are recognised when future economic benefits are probable and the cost or value of the asset can be measured reliably.

Intangible assets are initially recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised to profit or loss on a straight-line basis over their useful lives, as follows:-

Software	5 years straight line
Research and development	5 years straight line
Product development	5 years straight line

Amortisation is revised prospectively for any significant change in useful life or residual value.

# S3 ID LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

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

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

Fixtures & fittings	5 years straight line/remaining period of lease
Computer Equipment	3 years straight line

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

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life.

##### **Impairment of fixed assets**

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

# **S3 ID LIMITED**

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

### **FOR THE YEAR ENDED 31 DECEMBER 2018**

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

##### **Stocks**

Stocks are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Net realisable value is the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

At each reporting date, the company assesses whether stocks are impaired or if an impairment loss recognised in prior periods has reversed. Any excess of the carrying amount of stock over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss.

Reversals of impairment losses are also recognised in profit or loss.

##### **Cash and cash equivalents**

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

##### **Financial instruments**

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

##### **Financial assets**

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Basic financial assets, which include trade, group and other debtors (including accrued income) and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Other financial assets classified as fair value through profit or loss are measured at fair value.

Interest is recognised by applying the effective interest rate, except for short-term debtors when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

# S3 ID LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

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

##### ***Impairment of financial assets***

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

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in profit or loss.

##### ***Derecognition of financial assets***

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

##### ***Classification of financial liabilities***

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

##### ***Financial liabilities***

Basic financial liabilities including trade and other creditors and amounts due to fellow group undertakings are initially measured at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. They are subsequently measured at amortised cost using the effective interest method.

##### ***Derivatives***

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to fair value, at each reporting date. Fair value gains and losses are recognised in profit or loss unless hedge accounting is applied and the hedge is cash flow hedge.

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

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

##### ***Equity instruments***

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



# **S3 ID LIMITED**

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

### **FOR THE YEAR ENDED 31 DECEMBER 2018**

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

##### **Taxation**

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to the profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Taxable profit differs from total comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting period.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is not discounted.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

##### **Provisions**

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Provisions for restructuring costs are recognised when the company has a legal obligation or a constructive obligation arising from a detailed formal plan for the restructuring which has been notified to affected parties.

Provisions are recognised for expected warranty claims on products sold during the last 2 years. It is expected that a proportion of these costs will be incurred in the next financial year and all will have been incurred within 3 years of the balance sheet date.

# **S3 ID LIMITED**

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

### **FOR THE YEAR ENDED 31 DECEMBER 2018**

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

##### **Employee benefits**

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

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

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

##### **Retirement benefits**

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

##### **Leases**

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

Rental income from assets leased under operating leases is recognised on a straight-line basis over the term of the lease. Rent free periods or other incentives given to the lessee are accounted for as a reduction to the rental income and recognised on a straight-line basis over the lease term.

##### **Foreign exchange**

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

# **S3 ID LIMITED**

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

### **FOR THE YEAR ENDED 31 DECEMBER 2018**

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#### **2 Critical accounting estimates and judgements**

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

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

The estimates and judgements which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below:

##### **Contract revenue**

Revenue from contracts is recognised so as to ensure that an appropriate level of profit is recognised based on the stage of completion of the contract. Profit is only recognised once a final forecast profit on a contract can be reliably estimated. Where a contract is expected to be loss making, that loss is recognised in full.

##### **Bad debt provision**

Trade debtors are stated at recoverable amounts, after appropriate provision for bad and doubtful debts. Calculation of the bad debt provision requires judgement from the directors, based on the creditworthiness of the customer.

##### **Intangible assets**

Determining whether intangible assets will present future economic benefits requires judgement from the directors, based on the expected viability of assets capitalised.

##### **Leasing**

In categorising leases as finance leases or operating leases, management makes judgements as to whether significant risks and rewards of ownership have transferred to the Company as lessee, or the lessee, where the Company is a lessor.

##### **Depreciation**

The assessment of the useful economic lives and the method of depreciating fixed assets requires judgment. Depreciation is charged to profit or loss based on the useful economic life selected, which requires an estimation of the period and profile over which the Company expects to consume the future economic benefits embodied in the assets.

##### **Warranty provision**

Provisions are recognised for expected warranty claims on products sold during the last 2 years. The amount recognised is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

# S3 ID LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

#### 3 Turnover

An analysis of the company's turnover is as follows:

	2018 £	2017 £
<b>Turnover</b>		
Revenue from contracts	1,833,358	3,003,620

#### Turnover analysed by geographical market

	2018 £	2017 £
United Kingdom	301,747	3,770
Rest of Europe	505,574	1,923,941
Rest of World	1,026,037	1,075,909
	1,833,358	3,003,620

#### 4 Operating profit

	2018 £	2017 £
Operating profit for the year is stated after charging/(crediting):		
Exchange (gains)/losses	(10,047)	2,606
Research and development costs	816,574	595,764
Depreciation of owned tangible fixed assets	37,723	41,663
Amortisation of intangible assets	101,717	78,030
Operating lease charges less amounts received from sub-lease	55,000	55,000
(Profit)/loss on disposal of tangible fixed assets	(63)	-
Cost of stocks recognised as an expense	22,849	13,634

#### 5 Auditors' remuneration

	2018 £	2017 £
Fees payable to the company's auditor and its associates:		
<b>For audit services</b>		
Audit of the company's financial statements	14,700	14,245
<b>For other services</b>		
Taxation compliance services	3,250	2,375

# S3 ID LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

#### 6 Employees

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

	2018 Number	2017 Number
Production & Service	21	17
Administrative staff	5	4
Sales, Marketing & Distribution	3	3
	<u>29</u>	<u>24</u>

Their aggregate remuneration comprised:

	2018 £	2017 £
Wages and salaries	1,243,823	1,129,501
Social security costs	138,698	129,469
Pension costs	66,326	57,713
	<u>1,448,847</u>	<u>1,316,683</u>

#### 7 Directors' remuneration

	2018 £	2017 £
Remuneration for qualifying services	330,158	317,084
Company pension contributions to defined contribution schemes	21,399	20,598
	<u>351,557</u>	<u>337,682</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 5 (2017: 4).

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2018 £	2017 £
Remuneration for qualifying services	80,807	103,332
Company contributions to defined contribution pension schemes	5,390	6,580
	<u>86,197</u>	<u>109,912</u>

# S3 ID LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

#### 8 Taxation

	2018 £	2017 £
<b>Current tax</b>		
UK corporation tax on profits for the current period	-	-
Adjustments in respect of prior periods	-	(8,662)
Total current tax	-	(8,662)
<b>Deferred tax</b>		
Origination and reversal of timing differences	(21,128)	75,615
Total deferred tax	(21,128)	75,615
Total tax on profit	(21,128)	66,953

The (credit)/charge for the year can be reconciled to the profit per the statement of comprehensive income as follows:

	2018 £	2017 £
(Loss)/Profit before taxation	(830,188)	138,813
Expected tax charge based on a corporation tax rate of 19.00% (2017: 19.25%)	(157,736)	26,717
Deferred tax asset on losses (not recognised)	124,650	-
Adjustment in respect of R&D credit	(5,318)	(8,563)
Adjustments in respect of prior years	-	(2,767)
Adjustment in respect of deferred tax opening and closing balances	17,151	(1,896)
Capital allowances in excess of depreciation	-	55,372
Group relief surrendered/(claimed)	-	(1,910)
Expenses not deductible for tax purposes	125	-
Tax charge/(credit) for the year	(21,128)	66,953

# S3 ID LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

#### 9 Intangible fixed assets

	Goodwill	Software	Research and development	Total
	£	£	£	£
<b>Cost</b>				
At 1 January 2018	151,100	505,863	4,300	661,263
Additions	-	-	54,855	54,855
At 31 December 2018	151,100	505,863	59,155	716,118
<b>Amortisation and impairment</b>				
At 1 January 2018	151,100	94,589	-	245,689
Amortisation charged for the year	-	101,173	544	101,717
At 31 December 2018	151,100	195,762	544	347,406
<b>Carrying amount</b>				
At 31 December 2018	-	310,101	58,611	368,712
At 31 December 2017	-	411,274	4,300	415,574

#### 10 Tangible fixed assets

	Computer Equipment	Fixtures & Fittings	Total
	£	£	£
<b>Cost</b>			
At 1 January 2018	21,393	203,581	224,974
Additions	3,285	-	3,285
Disposals	(913)	-	(913)
Reclassification			
At 31 December 2018	23,765	203,581	227,346
<b>Depreciation and impairment</b>			
At 1 January 2018	10,630	159,755	170,385
Depreciation charged for the year	5,600	32,123	37,723
Disposals	(913)	-	(913)
Reclassification			
At 31 December 2018	15,317	191,878	207,195
<b>Carrying amount</b>			
At 31 December 2018	8,448	11,703	20,151
At 31 December 2017	10,763	43,826	54,589

# S3 ID LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

<b>11 Stocks</b>	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Raw materials and consumables	45,117	38,545
<b>12 Debtors</b>	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
<b>Amounts falling due within one year:</b>		
Trade debtors	289,601	391,174
Gross amounts due from contract customers	263,940	176,909
Government grants – R&D enhanced credit recoverable	45,551	17,560
Amounts due from fellow group undertakings	164,024	133,758
Other debtors	46,773	37,224
Prepayments and accrued income	40,231	71,079
	850,121	827,704
<b>13 Creditors: amounts falling due within one year</b>	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Other taxation and social security	42,096	49,007
Payments received on account	94,237	79,438
Trade creditors	143,980	133,916
Amounts due to fellow group undertakings	256,518	-
Other creditors	83,247	98,202
Accruals and deferred income	160,851	137,254
	712,779	497,817
<b>14 Provision for liabilities</b>	<b>Deferred tax</b>	<b>Total</b>
	<b>£</b>	<b>£</b>
At 1 January 2018	75,615	75,615
Accelerated capital allowances	(22,227)	(22,227)
Pension creditor	1,099	1,099
At 31 December 2018	54,487	54,487

The deferred tax liability of £54,487 (2017: £75,615) relates to accelerated capital allowances in excess of depreciation and employer pension payment timing differences, both of which are expected to reverse within 12 months.



# S3 ID LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 15 Retirement benefit scheme

##### Defined contribution scheme

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

The charge to profit and loss in respect of defined contribution schemes was £66,326 (2017: £57,713). Contributions totalling £10,116 (2017: £nil) were payable to the fund at the year end and are included in creditors.

#### 16 Share capital & reserves

	2018 £	2017 £
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
410,000 Ordinary shares of £1 each	410,000	410,000
<b>Preference share capital</b>		
<b>Issued and fully paid</b>		
340,000 Redeemable preference shares of £1 each	340,000	340,000

##### Ordinary shares

The ordinary shares, which carry no right to fixed issue, each carry the right to one vote at general meetings of the company.

##### Preference shares

The redeemable preference shares do not carry any voting rights and are entitled to no share in any excess on winding up. The company has not paid a dividend on the preference shares in the current year or prior periods. The redeemable preference shares are non-cumulative and can only be redeemed at the discretion of the company.

##### Profit and loss reserves

Cumulative profit and loss net of distributions to owners.

#### 17 Financial commitments, guarantees and contingent liabilities

S3 ID AS, a fellow member of the S3 ID group, has entered into an overdraft facility of £1.15m. A cross company guarantee has been issued in respect of this facility across all assets of the group.

# S3 ID LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 18 Operating lease commitments

##### Lessee

Operating lease payments represent rentals payable by the company in respect of its office and workshop premises. The lease is for a term of 7 years and extends to 31 December 2023.

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

	2018 £	2017 £
<b>Amounts due:</b>		
Within one year	115,000	115,000
Between two and five years	460,000	460,000
After five years		115,000
	<u>575,000</u>	<u>690,000</u>

##### Lessor

At the year end, the Company had contracted with tenants, under non-cancellable operating leases, for the following future minimum lease payments (to break clause 31 December 2020).

	2018 £	2017 £
<b>Amounts receivable:</b>		
Less than one year	60,000	60,000
Between two and five years	60,000	120,000
	<u>120,000</u>	<u>180,000</u>

#### 19 Related Party Transactions

During the year, the Company rented its head office premises from D Gennard and E Fredriksen who are directors of S3 ID Group Limited, the company's immediate parent undertaking. Rental costs during the year totalled £115,000 (2017: £115,000) and amounts totalling £nil (2017: £34,500) were outstanding at the year end and are included within trade creditors.

During the year the Company made purchases of £3,744 from its ultimate parent entity CSE Global Limited and purchases of £31,888 from S3 ID Pte Limited. No amounts were outstanding to these entities at the year end.

#### 20 Controlling party

The company's immediate parent undertaking is S3 ID Group Limited, a company incorporated in England and Wales and is the smallest company for which consolidated accounts are available including S3 ID Limited. The consolidated accounts are available from Companies House.

The ultimate parent undertaking and the largest company for which consolidated accounts are available which include S3 ID Limited is CSE Global Limited, a company incorporated in Singapore and consolidated accounts are publicly available.

The directors do not consider there to be an ultimate controlling party.