

S3 ID LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2017

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S3 ID LIMITED

COMPANY INFORMATION

| | |
|--------------------------|--|
| Directors | J C Caldwell R W Speirs A W H Jeffery P D Rowe |
| Company number | 06446851 |
| Registered office | Bow Bridge Close Rotherham South Yorkshire S60 1BY UK |
| Auditors | RSM UK Audit LLP Chartered Accountants Rivermead House 7 Lewis Court Grove Park Enderby Leicestershire LE19 1SD |

S3 ID LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present the strategic report and financial statements for the year ended 31 December 2017.

Fair review of the business

Despite the ongoing challenging market environment within the oil and gas sector the directors are pleased to report that the operating profit of the company has been maintained at the 2016 level, despite a 19% fall in turnover. 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. The directors have again reduced the cost base of the company and spent significant investment on product and software development. This strategy has resulted in a profit before tax for the year of £138,813 (2016: profit before tax of £139,854).

At the year end the company had shareholders' funds of £1.7M (2016: £1.6M) including distributable reserves of £934k (2016: £862k) leaving a satisfactory financial position. The net current assets position at year end was £1.3M (2016: £1.0M), including cash balances of £921K (2016: £647K).

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.

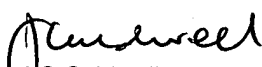
Principal risks and uncertainties

The directors have assessed the principal risk facing the company as being the potential impact of the global macro-economic environment on the business, 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.

Financial risk management objectives and policies

The company makes use of financial instruments only through the operation of bank accounts and loans. The directors believe the company's exposure to price risk, credit risk, liquidity risk and cash flow risk is not material for the assessment of the assets, liabilities, financial position and profit or loss of the company.

On behalf of the board


J.C Caldwell
Director
14 March 2018

S3 ID LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their annual report and financial statements for the year ended 31 December 2017.

Principal activities

The principal activity of the company is the design and manufacture of computer programmable controller based safety systems for electronic mustering and personnel tracking in hazardous environments.

Directors

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

J C Caldwell
A W H Jeffery
P D Rowe
R W Speirs

Results and dividends

The results for the year are set out on page 6. The profit for the year after taxation amounted to £71,860 (2016 – £197,032).

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.

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



J C Caldwell

Director

14 March 2018

S3 ID LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2017

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

Opinion

We have audited the financial statements of S3 ID Limited (the 'company') for the year ended 31 December 2017 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 2017 and of its profit 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

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 3 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.

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 16/3/18

S3 ID LIMITED

STATEMENT OF TOTAL COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017


| | Notes | 2017 £ | 2016 £ |
|--|-------|------------------|------------------|
| Turnover | 3 | 3,003,620 | 3,697,216 |
| Cost of sales | | (1,462,807) | (1,972,544) |
| Gross profit | | 1,540,813 | 1,724,672 |
| Distribution costs | | (696,160) | (799,374) |
| Administrative expenses | | (705,840) | (783,822) |
| Operating profit | 4 | 138,813 | 141,476 |
| Interest receivable and similar income | | - | 1,072 |
| Interest payable and similar expenses | 8 | - | (2,694) |
| Profit before taxation | | 138,813 | 139,854 |
| Taxation | 9 | (66,953) | 57,178 |
| Profit for the financial year | | 71,860 | 197,032 |
| Total comprehensive income for the year | | 71,860 | 197,032 |

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 2017**

| | Notes | 2017 £ | £ | 2016 £ | £ |
|---|-------|-----------|---|-----------|---|
| Fixed assets | | | | | |
| Goodwill | 10 | - | - | - | - |
| Other intangible assets | 10 | 415,574 | | 479,836 | |
| Total intangible assets | | 415,574 | | 479,836 | |
| Tangible assets | 11 | 54,589 | | 85,891 | |
| | | 470,163 | | 565,727 | |
| Current assets | | | | | |
| Stocks | 12 | 38,545 | | 42,295 | |
| Debtors | 13 | 827,704 | | 1,077,235 | |
| Cash at bank and in hand | | 920,906 | | 646,547 | |
| | | 1,787,155 | | 1,766,077 | |
| Creditors: amounts falling due within one year | 14 | (497,817) | | (719,778) | |
| Net current assets | | 1,289,338 | | 1,046,299 | |
| Total assets less current liabilities | | 1,759,501 | | 1,612,026 | |
| Provisions for Liabilities | 15 | (75,615) | | - | |
| Net assets | | 1,683,886 | | 1,612,026 | |
| Capital and reserves | | | | | |
| Called up share capital | 17 | 750,000 | | 750,000 | |
| Profit and loss reserves | 17 | 933,886 | | 862,026 | |
| Total equity | | 1,683,886 | | 1,612,026 | |

The financial statements were approved by the board of directors and authorised for issue on the 14 March 2018 and are signed on its behalf by:


J Caldwell
Director

S3 ID LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

| | Share capital £ | Profit and loss reserves £ | Total £ |
|--|-----------------------|-------------------------------------|------------|
| Balance at 1 January 2016 | 750,000 | 664,994 | 1,414,994 |
| | <hr/> | <hr/> | <hr/> |
| Period ended 31 December 2016: | | | |
| Profit and total comprehensive income for the year | - | 197,032 | 197,032 |
| | <hr/> | <hr/> | <hr/> |
| Balance at 31 December 2016 | 750,000 | 862,026 | 1,612,026 |
| | <hr/> | <hr/> | <hr/> |
| Period ended 31 December 2017: | | | |
| Profit and total comprehensive income for the year | - | 71,860 | 71,860 |
| | <hr/> | <hr/> | <hr/> |
| Balance at 31 December 2017 | 750,000 | 933,886 | 1,683,886 |
| | <hr/> | <hr/> | <hr/> |

S3 ID LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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 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 2017

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 expenditure 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 2017

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 |
| Demo Equipment | 2 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 2017

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.

Trade, Group and Other Debtors

Trade debtors, loans and other debtors that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and debtors are measured at amortised cost using the effective interest method, less any impairment.

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 2017

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.

Financial liabilities

Basic financial liabilities 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.

Other financial liabilities

Other financial liabilities, are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

Derecognition of financial liabilities

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

Equity instruments

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.

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 2017

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.

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 in 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 2017

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 2017

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 assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

Critical judgements

Inventory provision

Inventories are valued at the lower cost and net realisable value. New realisable value includes, where necessary, provisions for slow moving and obsolete stocks. Calculation of these provisions requires judgements to be made, which include forecast consumer demand, the promotional, competitive and economic environment and inventory loss trends.

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.

Key sources of estimation uncertainty

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.

S3 ID LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

3 Turnover

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

| | 2017 £ | 2016 £ |
|------------------------|-----------|-----------|
| Turnover | | |
| Revenue from contracts | 3,003,620 | 3,697,216 |

Turnover analysed by geographical market

| | 2017 £ | 2016 £ |
|----------------|-----------|-----------|
| United Kingdom | 3,770 | 28,607 |
| Rest of Europe | 1,923,941 | 2,649,357 |
| Rest of World | 1,075,909 | 1,019,252 |
| | 3,003,620 | 3,697,216 |

4 Operating profit

| | 2017 £ | 2016 £ |
|---|-----------|-----------|
| Operating profit for the year is stated after charging/(crediting): | | |
| Exchange losses/(gains) | 2,606 | (22,285) |
| Research and development costs | 595,764 | 73,603 |
| Depreciation of owned tangible fixed assets | 41,663 | 43,977 |
| Amortisation of intangible assets | 78,030 | 18,858 |
| Operating lease charges | 55,000 | 66,000 |

5 Auditors' remuneration

| | 2017 £ | 2016 £ |
|---|-----------|-----------|
| Fees payable to the company's auditor and its associates: | | |
| For audit services | | |
| Audit of the company's financial statements | 14,245 | 14,000 |
| For other services | | |
| Taxation compliance services | 2,375 | 4,225 |
| | 2,375 | 4,225 |

S3 ID LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

6 Employees

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

| | 2017 Number | 2016 Number |
|---------------------------------|----------------|----------------|
| Production & Service | 17 | 18 |
| Administrative staff | 4 | 5 |
| Sales, Marketing & Distribution | 3 | 3 |
| | <u>24</u> | <u>26</u> |

Their aggregate remuneration comprised:

| | 2017 £ | 2016 £ |
|-----------------------|------------------|------------------|
| Wages and salaries | 1,129,501 | 1,189,645 |
| Social security costs | 129,469 | 129,933 |
| Pension costs | 57,713 | 67,718 |
| | <u>1,316,683</u> | <u>1,387,296</u> |

7 Directors' remuneration

| | 2017 £ | 2016 £ |
|---|----------------|----------------|
| Remuneration for qualifying services | 317,084 | 354,922 |
| Company pension contributions to defined contribution schemes | 20,598 | 30,972 |
| | <u>337,682</u> | <u>385,894</u> |

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 4 (2016: 4).

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

| | 2017 £ | 2016 £ |
|---|-----------|-----------|
| Remuneration for qualifying services | 103,332 | 109,944 |
| Company contributions to defined contribution pension schemes | 6,580 | 16,262 |
| | <u></u> | <u></u> |

8 Interest payable and similar expenses

| | 2017 £ | 2016 £ |
|--|-----------|-----------|
| Interest payable to group undertakings | - | 2,694 |
| | <u></u> | <u></u> |

S3 ID LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

9 Taxation

| | 2017 £ | 2016 £ |
|--|----------------|-----------------|
| Current tax | | |
| UK corporation tax on profits for the current period | - | - |
| Adjustments in respect of prior periods | (8,662) | (57,178) |
| | <u>(8,662)</u> | <u>(57,178)</u> |
| Total current tax | (8,662) | (57,178) |
| Deferred tax | | |
| Origination and reversal of timing differences | 75,615 | - |
| | <u>75,615</u> | <u>-</u> |
| Total deferred tax | 75,615 | - |
| Total tax on profit | <u>66,953</u> | <u>(57,178)</u> |

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

| | 2017 £ | 2016 £ |
|--|----------------|-----------------|
| Profit before taxation | <u>138,813</u> | <u>139,854</u> |
| Expected tax charge based on a corporation tax rate of 19.25% (2016: 20%) | 26,717 | 27,946 |
| Tax effect of expenses that are not deductible in determining taxable profit | - | 3,032 |
| Adjustment in respect of R&D Credit | (8,563) | (8,557) |
| Adjustments in respect of prior years | (2,767) | (57,178) |
| Adjustment in respect of deferred tax opening and closing balances | (1,896) | (5,502) |
| Capital allowances in excess of depreciation | 55,372 | (16,919) |
| Group relief surrendered/(claimed) | (1,910) | - |
| Tax charge/(credit) for the year | <u>66,953</u> | <u>(57,178)</u> |

S3 ID LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

10 Intangible fixed assets

| | Goodwill | Software | Research and development | Total |
|------------------------------------|----------|----------|--------------------------|----------|
| | £ | £ | £ | £ |
| Cost | | | | |
| At 1 January 2017 | 151,100 | 497,830 | 29,343 | 678,273 |
| Additions | - | 15,600 | 4,300 | 19,900 |
| Disposals | - | - | (29,343) | (29,343) |
| Reclassification | - | (7,567) | - | (7,567) |
| At 31 December 2017 | 151,100 | 505,863 | 4,300 | 661,263 |
| Amortisation and impairment | | | | |
| At 1 January 2017 | 151,100 | 17,994 | 29,343 | 198,437 |
| Amortisation charged for the year | - | 78,030 | - | 78,030 |
| Disposals | - | - | (29,343) | (29,343) |
| Reclassification | - | (1,435) | - | (1,435) |
| At 31 December 2017 | 151,100 | 94,589 | - | 245,689 |
| Carrying amount | | | | |
| At 31 December 2017 | - | 411,274 | 4,300 | 415,574 |
| At 31 December 2016 | - | 479,836 | - | 479,836 |

11 Tangible fixed assets

| | Computer Equipment | Demo Equipment | Fixtures & Fittings | Total |
|------------------------------------|--------------------|----------------|---------------------|---------|
| | £ | £ | £ | £ |
| Cost | | | | |
| At 1 January 2017 | 9,596 | 7,476 | 205,270 | 222,342 |
| Additions | 4,231 | - | - | 4,231 |
| Disposals | - | (7,476) | - | (7,476) |
| Reclassification | 7,566 | - | (1,689) | 5,877 |
| At 31 December 2017 | 21,393 | - | 203,581 | 224,974 |
| Depreciation and impairment | | | | |
| At 1 January 2017 | 3,439 | 7,476 | 125,536 | 136,451 |
| Depreciation charged for the year | 4,869 | - | 36,794 | 41,663 |
| Disposals | - | (7,476) | - | (7,476) |
| Reclassification | 2,322 | - | (2,575) | (253) |
| At 31 December 2017 | 10,630 | - | 159,755 | 170,385 |
| Carrying amount | | | | |
| At 31 December 2017 | 10,763 | - | 43,826 | 54,589 |
| At 31 December 2016 | 6,157 | - | 79,734 | 85,891 |

S3 ID LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

| | | | |
|-----------|---|---------------------|--------------|
| 12 | Stocks | 2017 | 2016 |
| | | £ | £ |
| | Raw materials and consumables | 38,545 | 42,295 |
| 13 | Debtors | 2017 | 2016 |
| | | £ | £ |
| | Amounts falling due within one year: | | |
| | Trade debtors | 391,174 | 678,751 |
| | Gross amounts due from contract customers | 176,909 | 114,319 |
| | Government grants – R&D enhanced credit recoverable | 17,560 | - |
| | Amounts due from fellow group undertakings | 133,758 | 136,542 |
| | Other debtors | 37,224 | 72,131 |
| | Prepayments and accrued income | 71,079 | 75,492 |
| | | 827,704 | 1,077,235 |
| 14 | Creditors: amounts falling due within one year | 2017 | 2016 |
| | | £ | £ |
| | Other taxation and social security | 49,007 | 64,171 |
| | Payments received on account | 79,438 | 298,314 |
| | Trade creditors | 133,916 | 163,680 |
| | Amounts due to fellow group undertakings | - | 20,286 |
| | Other creditors | 98,202 | 43,579 |
| | Accruals and deferred income | 137,254 | 129,748 |
| | | 497,817 | 719,778 |
| 15 | Provision for liabilities | Deferred tax | Total |
| | | £ | £ |
| | At 1 January 2017 | - | - |
| | Accelerated capital allowances | 75,615 | 75,615 |
| | At 31 December 2017 | 75,615 | 75,615 |

The deferred tax liability of £75,615 (2016: nil) relates to accelerated capital allowances in excess of depreciation and is expected to reverse within 12 months.

S3 ID LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

16 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 £57,713 (2016: £67,718). Contributions totalling £nil (2016: £8,728) were payable to the fund at the year end and are included in creditors.

17 Share capital & reserves

| | 2017 £ | 2016 £ |
|---|----------------|----------------|
| Ordinary share capital | | |
| Issued and fully paid | | |
| 410,000 Ordinary shares of £1 each | <u>410,000</u> | <u>410,000</u> |
| Preference share capital | | |
| Issued and fully paid | | |
| 340,000 Redeemable preference shares of £1 each | <u>340,000</u> | <u>340,000</u> |

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.

S3 ID LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

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:

| | 2017 | 2016 |
|----------------------------|----------------|----------------|
| | £ | £ |
| Amounts due: | | |
| Within one year | 115,000 | 115,000 |
| Between two and five years | 460,000 | 460,000 |
| After five years | 115,000 | 230,000 |
| | <u>690,000</u> | <u>805,000</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).

| | 2017 | 2016 |
|----------------------------|----------------|----------------|
| | £ | £ |
| Amounts receivable: | | |
| Less than one year | 60,000 | 60,000 |
| Between two and five years | 120,000 | 180,000 |
| | <u>180,000</u> | <u>240,000</u> |

19 Related Party Transactions

During the year, the Company rented its head office premises from D Gennard and E Fredriksen, for which rental costs during the year totalled £115,000 (2016: £115,000). Amounts totalling £34,500 (2016: £nil) were outstanding at the year end and included within trade creditors.

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.