

REGISTERED NUMBER: 06446851 (England and Wales)

**S3 ID LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

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S3 ID LIMITED
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FOR THE YEAR ENDED 31 DECEMBER 2021

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S3 ID LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2021

DIRECTORS:

R W Speirs
E Errington
P D Rowe
A W H Jeffery
D M Livsey

REGISTERED OFFICE:

Bow Bridge Close
Rotherham
S60 1BY

REGISTERED NUMBER:

06446851 (England and Wales)

AUDITORS:

Smith Craven
Chartered Accountants
Statutory Auditors
Sidings House
Sidings Court
Lakeside
Doncaster
South Yorkshire
DN4 5NU

S3 ID LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their strategic report for the year ended 31 December 2021.

FAIR REVIEW OF THE BUSINESS INCORPORATING KEY PERFORMANCE INDICATORS

The directors are pleased to report that, despite the continuing impact of COVID-19, annual order intake has increased to £3.4m (2020 - £3.2m). Whilst turnover has shown a small decrease to £2.8m (2020 - £3.0m), profit before tax has increased to £221k (2020 - £203k).

Whilst oil prices have increased during the period, supplier and resource costs for our customers have also increased. Supplier delays, caused by a global shortage in components proved challenging during the year, however, these continue to be managed/minimised by our project management team. It is expected shortages and long lead times will continue to be the norm during 2022.

The strength of our order pipeline and our ability to turn quotes into orders during 2021 has also enabled a healthy backlog to take through into 2022. This strong backlog together with the continued visibility of an increased pipeline and several impending contracts nearing final negotiations, means the company is confident that 2022 turnover will be a further enhancement of the 2021 performance.

During 2021 S3 ID has continued to invest in new products and software to ensure the highest quality, best value systems are offered to our customers. During the year, S3 ID has developed its first BLE Checkpoint solution as well as having further upgraded its software platform. These developments are anticipated to drive increased growth in the business in 2022 and beyond.

The directors consider that the company has a sound financial position from which it can continue to build and grow. Year-end cash balances were £684k (2020: £272k), whilst shareholder funds increased by 50% to £765k.

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 fluctuating 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 and the outlook for oil prices.

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 FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Foreign exchange risk - from time to time when the company trades in foreign currencies, the directors use forward foreign currency contracts to reduce exposure to the variability of foreign exchange rates by fixing the rate of any material payments/receipts in foreign currency. Any contracts spanning the year end are detailed in the notes to the financial statements.

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 the other party by failing to discharge the 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 financial statements.

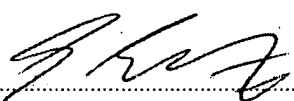
Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The company aims to mitigate liquidity risk by managing cash generation by its operations, applying cash collection targets within the company, and ongoing support of the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

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 variable rate debt.

FUTURE DEVELOPMENTS

The directors are confident that the demand for S3 ID's solutions remains positive. In addition, with growth strategies and the new innovative products the 2022 budget predicts sustained growth and profitability. This confidence in the long-term outlook for the company has been fully supported by S3 ID's shareholders.

ON BEHALF OF THE BOARD:


.....
E Errington - Director

Date: 30 03 2022.

S3 ID LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their report with the financial statements of the company for the year ended 31 December 2021.

PRINCIPAL ACTIVITY

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 travel logistics management, in hazardous areas.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2021.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2021 to the date of this report.

R W Speirs
E Errington
P D Rowe
A W H Jeffery

Other changes in directors holding office are as follows:

D M Livsey - appointed 18 August 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Report of the Directors 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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

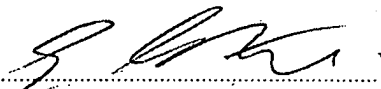
S3 ID LIMITED

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2021**

AUDITORS

The auditors, Smith Craven, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:


.....
E Errington - Director

Date: 30 03 2022

REPORT OF THE INDEPENDENT AUDITORS 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 2021 which comprise the Income Statement, Other Comprehensive Income, Balance Sheet, 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 Financial Reporting Standard 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 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

**REPORT OF THE INDEPENDENT AUDITORS 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 or the Report of the Directors.

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

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

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page four, 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 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.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF S3 ID LIMITED

Auditors' 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 a Report of the Auditors 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.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding of the company, we identified that the principal risks of non-compliance with laws and regulations related to corporation tax legislation and we considered the extent to which non-compliance might have a material effect on the financial statements.

As part of this assessment we considered both quantitative and qualitative factors. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements, such as the Companies Act 2006 and FRS 102.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements which included the risk of management override of controls. We determined that the principal risks were related to posting inappropriate journal entries, omitting, advancing or delaying recognition of events and transactions that have occurred during or after the reporting period, and potential management bias in the determination of accounting estimates or judgements to manipulate results.

Audit procedures performed by the engagement team include:

- Enquiring of and obtaining written representation from management in relation to known or suspected instances of non-compliance with laws and regulations and fraud;
- Enquiring of entity staff in tax and compliance functions to identify any instances of non-compliance with laws and regulations;
- Evaluation of management's controls designed to prevent and detect irregularities;
- Review of board meeting minutes and meetings of those charged with governance;
- Identifying and, where relevant, testing journal entries posted by senior management or with unusual combinations;
- Assessing and evaluating the business rationale of significant transactions outside the normal course of business;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Review of correspondence with regulators in so far as they are related to the financial statements;
- Incorporating elements of unpredictability into the nature, timing and/or extent of audit procedures performed.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentation, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
S3 ID LIMITED**

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 a Report of the Auditors 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.



Kelvin Fitton BA FCA (Senior Statutory Auditor)
for and on behalf of Smith Craven
Chartered Accountants
Statutory Auditors
Sidings House
Sidings Court
Lakeside
Doncaster
South Yorkshire
DN4 5NU

Date: 30/3/22

S3 ID LIMITED
INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £	2020 £
TURNOVER	3	2,833,665	2,951,370
Cost of sales		<u>1,692,907</u>	<u>1,676,988</u>
GROSS PROFIT		1,140,758	1,274,382
Administrative expenses		<u>943,710</u>	<u>1,072,851</u>
		197,048	201,531
Other operating income		<u>45,482</u>	<u>33,449</u>
OPERATING PROFIT	5	242,530	234,980
Interest payable and similar expenses	6	<u>22,020</u>	<u>31,544</u>
PROFIT BEFORE TAXATION		220,510	203,436
Tax (credit)/charge	7	<u>(39,813)</u>	<u>-</u>
PROFIT FOR THE FINANCIAL YEAR		<u>260,323</u>	<u>203,436</u>

The notes form part of these financial statements

S3 ID LIMITED

**OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Notes	2021 £	2020 £
PROFIT FOR THE YEAR		260,323	203,436
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>260,323</u>	<u>203,436</u>

The notes form part of these financial statements

S3 ID LIMITED (REGISTERED NUMBER: 06446851)

**BALANCE SHEET
31 DECEMBER 2021**

	Notes	2021 £	2020 £
FIXED ASSETS			
Intangible assets	9	215,501	258,823
Tangible assets	10	<u>17,621</u>	<u>13,124</u>
		233,122	271,947
CURRENT ASSETS			
Stocks	11	37,784	33,689
Debtors	12	1,612,581	1,787,987
Cash at bank and in hand		<u>683,608</u>	<u>271,628</u>
		2,333,973	2,093,304
CREDITORS			
Amounts falling due within one year	13	<u>1,764,055</u>	<u>1,812,633</u>
NET CURRENT ASSETS		<u>569,918</u>	<u>280,671</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		803,040	552,618
CREDITORS			
Amounts falling due after more than one year	14	<u>38,432</u>	<u>48,333</u>
NET ASSETS		<u>764,608</u>	<u>504,285</u>
CAPITAL AND RESERVES			
Called up share capital	17	750,000	750,000
Retained earnings	18	<u>14,608</u>	<u>(245,715)</u>
SHAREHOLDERS' FUNDS		<u>764,608</u>	<u>504,285</u>

The financial statements were approved by the Board of Directors and authorised for issue on 30.03.2022 and were signed on its behalf by:


E Errington - Director

The notes form part of these financial statements

S3 ID LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 January 2020	750,000	(449,151)	300,849
Changes in equity			
Total comprehensive income	<u>-</u>	<u>203,436</u>	<u>203,436</u>
Balance at 31 December 2020	<u>750,000</u>	<u>(245,715)</u>	<u>504,285</u>
Changes in equity			
Total comprehensive income	<u>-</u>	<u>260,323</u>	<u>260,323</u>
Balance at 31 December 2021	<u><u>750,000</u></u>	<u><u>14,608</u></u>	<u><u>764,608</u></u>

The notes form part of these financial statements

S3 ID LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. STATUTORY INFORMATION

S3 ID Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

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

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

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

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 £.

Going concern

The directors have made a detailed assessment of the going concern requirements to ensure the company has adequate resources to continue in operational existence for the foreseeable future. As a result of this review the directors are confident that, given; the current orders in hand, 2021's profitable trading and ongoing shareholder support via a letter of support, the company has sufficient resources to continue trading.

Financial Reporting Standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of paragraphs 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of paragraphs 12.26, 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirement of paragraph 33.7.

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.

Turnover

Turnover is recognised at the fair value of 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 2021

2. 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 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 assets.
- (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.

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 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

S3 ID LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2021

2. ACCOUNTING POLICIES - continued

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 reversed, 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.

Government grants

Grant income relating to revenue is recognised on an accruals basis. Income is recognised on a systematic Grant income relating to revenue is recognised on an accruals basis over the periods in which the entity recognises the related costs for which the grant is intended to compensate.

A grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support with no future related costs is recognised in income in the period in which it becomes receivable.

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.

S3 ID LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2021

2. ACCOUNTING POLICIES - continued

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 Instrument 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, initially measured at transaction price including transaction costs and are subsequently carried at amortised costs 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.

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.

S3 ID LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. ACCOUNTING POLICIES - continued

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.

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.

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 realized 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 probably that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

S3 ID LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2021

2. ACCOUNTING POLICIES - continued

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 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.

Warranty and restructuring provisions are classified within Other creditors.

Employee benefits

The cost 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.

S3 ID LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2021

2. ACCOUNTING POLICIES - continued

Foreign exchange- continued

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 transaction gain or loss is also recognised in other comprehensive income.

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 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 are considered to have the most significant impact on 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 from 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 been transferred to the Company as a 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 judgement. Depreciation is charged to the profit or loss based on the useful economic life selected, which requires and 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 2021**

3. TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the company.

An analysis of turnover by class of business is given below:

	2021 £	2020 £
Revenue from contracts	<u>2,833,665</u>	<u>2,951,370</u>
	<u><u>2,833,665</u></u>	<u><u>2,951,370</u></u>

An analysis of turnover by geographical market is given below:

	2021 £	2020 £
United Kingdom	140,631	119,440
Europe	756,336	401,839
Rest of World	<u>1,936,698</u>	<u>2,430,091</u>
	<u><u>2,833,665</u></u>	<u><u>2,951,370</u></u>

4. EMPLOYEES AND DIRECTORS

	2021 £	2020 £
Wages and salaries	1,040,922	1,159,288
Social security costs	108,399	114,404
Other pension costs	<u>88,861</u>	<u>70,980</u>
	<u><u>1,238,182</u></u>	<u><u>1,344,672</u></u>

The average number of employees during the year was as follows:

	2021	2020
Production & Service	17	19
Administrative staff	5	4
Sales, Marketing & Distribution	<u>3</u>	<u>3</u>
	<u><u>25</u></u>	<u><u>26</u></u>

	2021 £	2020 £
Directors' remuneration	362,225	272,901
Directors' pension contributions to money purchase schemes	<u>24,574</u>	<u>21,106</u>

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	<u><u>5</u></u>	<u><u>4</u></u>
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S3 ID LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021**

4. EMPLOYEES AND DIRECTORS - continued

Information regarding the highest paid director is as follows:

	2021	2020
	£	£
Emoluments etc	124,495	77,051
Pension contributions to money purchase schemes	<u>7,252</u>	<u>5,798</u>

5. OPERATING PROFIT

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

	2021	2020
	£	£
Depreciation - owned assets	6,678	5,521
Amortisation of intangible assets	120,183	115,460
Auditors' remuneration	11,150	11,000
Auditors' remuneration for non audit work	1,050	1,425
Foreign exchange differences	(694)	2,463
Operating lease charges less amounts received from sub-lease	55,000	55,000
Research and development costs	<u>650,223</u>	<u>674,272</u>

6. INTEREST PAYABLE AND SIMILAR EXPENSES

	2021	2020
	£	£
Bank interest	-	5
Interest payable	<u>22,020</u>	<u>31,539</u>
	<u>22,020</u>	<u>31,544</u>

7. TAXATION

Analysis of the tax credit

The tax credit on the profit for the year was as follows:

	2021	2020
	£	£
Current tax:		
Enhanced R&D tax credit in respect of earlier years	<u>(39,813)</u>	-
Tax on profit	<u>(39,813)</u>	<u>-</u>

S3 ID LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021**

7. TAXATION - continued

Reconciliation of total tax charge included in profit and loss

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2021 £	2020 £
Profit before tax	<u>220,510</u>	<u>203,436</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2020 - 19%)	41,897	38,653
Effects of:		
Expenses not deductible for tax purposes	-	1,615
Effect on R&D tax credits prior years	(39,813)	(7,721)
Adjustment in respect of deferred tax opening and closing balances for tax purposes	6,255	19,718
Utilised brought forward tax losses	<u>(48,152)</u>	<u>(52,265)</u>
Total tax (credit)/charge	<u>(39,813)</u>	<u>-</u>

8. GOVERNMENT ASSISTANCE

During the year the Company received grant income under the HM Government Coronavirus Job Retention Scheme totalling £30,357 (2020: £29,949). The Company also received £15,125 (2020: £3,500) in respect of various other grants.

Capital grants totalling £50,809 were offset against the fixed asset additions for which the grants related.

9. INTANGIBLE FIXED ASSETS

	Goodwill £	Development costs £	Software £	Totals £
COST				
At 1 January 2021	151,100	178,030	505,863	834,993
Additions	<u>-</u>	<u>76,861</u>	<u>-</u>	<u>76,861</u>
At 31 December 2021	<u>151,100</u>	<u>254,891</u>	<u>505,863</u>	<u>911,854</u>
AMORTISATION				
At 1 January 2021	151,100	27,041	398,029	576,170
Amortisation for year	<u>-</u>	<u>35,492</u>	<u>84,691</u>	<u>120,183</u>
At 31 December 2021	<u>151,100</u>	<u>62,533</u>	<u>482,720</u>	<u>696,353</u>
NET BOOK VALUE				
At 31 December 2021	<u>-</u>	<u>192,358</u>	<u>23,143</u>	<u>215,501</u>
At 31 December 2020	<u>-</u>	<u>150,989</u>	<u>107,834</u>	<u>258,823</u>

S3 ID LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021**

10. TANGIBLE FIXED ASSETS

	Fixtures and fittings £	Computer equipment £	Totals £
COST			
At 1 January 2021	150,988	38,415	189,403
Additions	<u>3,500</u>	<u>7,675</u>	<u>11,175</u>
At 31 December 2021	<u>154,488</u>	<u>46,090</u>	<u>200,578</u>
DEPRECIATION			
At 1 January 2021	150,393	25,886	176,279
Charge for year	<u>1,365</u>	<u>5,313</u>	<u>6,678</u>
At 31 December 2021	<u>151,758</u>	<u>31,199</u>	<u>182,957</u>
NET BOOK VALUE			
At 31 December 2021	<u>2,730</u>	<u>14,891</u>	<u>17,621</u>
At 31 December 2020	<u>595</u>	<u>12,529</u>	<u>13,124</u>

11. STOCKS

	2021 £	2020 £
Stocks	<u>37,784</u>	<u>33,689</u>

12. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021 £	2020 £
Trade debtors	536,223	1,172,372
Amounts owed by group undertakings	195,565	149,362
Gross amounts due from contract customers	702,562	348,439
Government grants – R&D enhanced credit recoverable	38,683	38,683
Other debtors	1,175	533
VAT	76,186	14,893
Prepayments and accrued income	<u>62,187</u>	<u>63,705</u>
	<u>1,612,581</u>	<u>1,787,987</u>

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021 £	2020 £
Bank loans and overdrafts (see note 15)	10,000	1,667
Trade creditors	430,304	139,403
Amounts owed to group undertakings	730,577	1,221,289
Social security and other taxes	54,663	26,611
Other creditors	79,597	61,490
Customer deposits	322,930	195,991
Accruals and deferred income	<u>135,984</u>	<u>166,182</u>
	<u>1,764,055</u>	<u>1,812,633</u>

S3 ID LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021**

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2021	2020
	£	£
Bank loans (see note 15)	<u>38,432</u>	<u>48,333</u>

15. LOANS

An analysis of the maturity of loans is given below:

	2021	2020
	£	£
Amounts falling due within one year or on demand:		
Bank loans	<u>10,000</u>	<u>1,667</u>

Amounts falling due between one and two years:		
Bank loans - 1-2 years	<u>10,000</u>	<u>10,000</u>

Amounts falling due between two and five years:		
Bank loans - 2-5 years	<u>20,000</u>	<u>20,000</u>

Amounts falling due in more than five years:		
	2021	2020
	£	£
Amounts falling due in more than five years:		
Repayable by instalments		
Bank loans more 5 yr by instal	<u>8,432</u>	<u>18,333</u>

16. LEASING AGREEMENTS

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 follows:

Amounts due:	2021	2020
	£	£
Within one year	115,000	115,000
Between two and five years	115,000	230,000
After five years	<u>-</u>	<u>-</u>
	<u>230,000</u>	<u>345,000</u>

S3 ID LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021**

16. LEASING AGREEMENTS – continued

Lessor

At the year, the Company had contracted with tenants, under non-cancellable operating leases, for the following future minimum lease payments the lease extends to 30 December 2023.

Amounts due:	2021 £	2020 £
Within one year	60,000	60,000
Between two and five years	60,000	120,000
After five years	-	-
	<u>120,000</u>	<u>180,000</u>

17. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2021 £	2020 £
410,000	Ordinary	£1	410,000	410,000
340,000	Redeemable preference	£1	<u>340,000</u>	<u>340,000</u>
			<u>750,000</u>	<u>750,000</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.

18. RESERVES

	Retained earnings £
At 1 January 2021	(245,715)
Profit for the year	<u>260,323</u>
At 31 December 2021	<u>14,608</u>

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 2021

19. PENSION COMMITMENTS

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 £64,287 (2020: £70,980). Contributions totalling £1,243 (2019: £4,449) were payable to the fund at the year end and are included in creditors.

20. CAPITAL COMMITMENTS

	2021	2020
	£	£
Contracted but not provided for in the financial statements	<u>2,952</u>	<u>-</u>

21. RELATED PARTY DISCLOSURES

During the year, the Company rented its head office premises from D Gennard and E Fredrikson who are/were directors of S3 ID Group Limited, the company's immediate parent undertaking. Rental costs during the year totalled £115,000 (2020: £115,000) and amounts totalling £34,500 (2020: £34,500) were outstanding at the year end and are included within trade creditors.

During the year, the company made sales of £1,800 to Hogen Systems Ltd (2020: £1,800), a company in which D Gennard is a director. No amounts were outstanding at the year-end.

During the year the company made purchases of £20,000 (2020: £20,000) from S3 ID Pte Limited, a company in which Tan Mok Koon is a director and beneficial owner. No amounts were outstanding to the entity at the year end.

22. CONTROLLING PARTY

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

Tan Mok Koon (an individual resident in Singapore) controls S3 ID Group Limited by virtue of his interest in S3 ID PTE Limited which holds 81.5% of the voting rights in S3 ID Group Ltd. The directors therefore consider Tan Mok Koon to be the ultimate controlling party.