

Registered number: 06539484

Scentrics Information Security Technologies Limited

Financial statements

For the year ended 30 June 2020

Balance sheet
As at 30 June 2020

	Note	2020 £	As restated 2019 £
Fixed assets			
Intangible assets	5	73,502	46,013
Tangible assets	6	445	593
Investments	7	10	10
		<u>73,957</u>	<u>46,616</u>
Current assets			
Debtors: amounts falling due within one year	8	462,349	2,179,457
Cash at bank and in hand		229,685	21,837
		<u>692,034</u>	<u>2,201,294</u>
Creditors: amounts falling due within one year	9	(2,103,106)	(2,082,606)
Net current (liabilities)/assets		<u>(1,411,072)</u>	<u>118,688</u>
Net (liabilities)/assets		<u><u>(1,337,115)</u></u>	<u><u>165,304</u></u>
Capital and reserves			
Called up share capital	10	149	148
Share premium account	11	7,553,882	7,053,728
Profit and loss account	11	(8,891,146)	(6,888,572)
		<u><u>(1,337,115)</u></u>	<u><u>165,304</u></u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements have been delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The company has opted not to file the statement of comprehensive income in accordance with provisions applicable to companies subject to the small companies' regime.

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

P Chandrasekaran
Director

J J Mohamed
Director

Date: 26 November 2021

The notes on pages 3 to 12 form part of these financial statements.

Statement of changes in equity
For the year ended 30 June 2020

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 July 2018 (as restated)	130	6,380,732	(5,672,611)	708,251
Loss for the year	-	-	(1,280,786)	(1,280,786)
Shares issued during the year	18	672,996	-	673,014
Share based payments	-	-	64,825	64,825
At 1 July 2019 (as restated)	148	7,053,728	(6,888,572)	165,304
Loss for the year	-	-	(2,011,457)	(2,011,457)
Shares issued during the year	1	500,154	-	500,155
Share based payments	-	-	8,883	8,883
At 30 June 2020	149	7,553,882	(8,891,146)	(1,337,115)

The notes on pages 3 to 12 form part of these financial statements.

Notes to the financial statements
For the year ended 30 June 2020

1. General information

Scentrics Information Security Technologies Limited is a private company limited by shares and is incorporated in England with the registration number 06539484. The address of the registered office is 238 Station Road, Addlestone, Surrey, KT15 2PS.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

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

The functional and presentational currency of the company is pound sterling. These financial statements are rounded to the nearest pound.

The following principal accounting policies have been applied:

2.2 Exemption from preparing consolidated financial statements

The company, and the group headed by it, qualify as small as set out in section 383 of the Companies Act 2006 and the parent and group are considered eligible for the exemption to prepare consolidated accounts.

These financial statements are therefore the company's separate financial statements, and present information about the company as an individual undertaking and not about its group.

2.3 Going concern

The company is engaged in research and development activities and is reliant upon funding from its investors to meet its operational and working capital needs. The company's forecasts and projections, taking account of expected expenditure and future investment, show that the company should be able to continue these activities though the continued support of its investors for the foreseeable future.

While the impact of the COVID-19 pandemic has been assessed by the directors so far as reasonably possible, due to its unprecedented impact of the wider economy, it is difficult to evaluate with any certainty the potential outcomes on the company's operations and suppliers. However, taking into consideration the UK Government's response, its range of measures to support business and the company's own resources and planning, the directors have reasonable expectation that the company will continue in operational existence for the foreseeable future.

Consequently the going concern basis has been adopted in preparing these financial statements.

2.4 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.5 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

Notes to the financial statements
For the year ended 30 June 2020

2. Accounting policies (continued)

2.6 Share based payments

In accordance with the transitional provisions of FRS102 the company has elected not to apply FRS102 to equity instruments that were granted prior to the start of the first reporting period in which FRS102 has been adopted.

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees, profit or loss is charged with fair value of goods and services received.

2.7 Taxation

Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

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

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

Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Notes to the financial statements
For the year ended 30 June 2020

2. Accounting policies (continued)

2.8 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

2.9 Tangible fixed assets

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

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

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

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, on a reducing balance basis.

Depreciation is provided on the following basis:

Computer equipment	-	25%
--------------------	---	-----

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.10 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.11 Debtors

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

Notes to the financial statements
For the year ended 30 June 2020

2. Accounting policies (continued)

2.12 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.13 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.14 Financial instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Notes to the financial statements
For the year ended 30 June 2020

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

The preparation of the financial statements requires the directors to make judgements, estimates and assumptions that can affect the amounts reported for assets and liabilities, and the results for the year. The nature of estimation is such that actual outcomes could differ significantly from those estimates.

The following judgement has had the most significant impact on amounts recognised in the financial statements:

Share-based payments

The company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The estimation of fair value has been determined by the directors on recent transactions in the company's shares and expectations for future growth in the company. See note 12 for further details.

4. Employees

The average monthly number of employees, including directors, during the year was 5 (2019 - 4).

5. Intangible assets

	Patents
	£
Cost	
At 1 July 2019 (as previously stated)	626,724,244
Prior Year Adjustment	(626,662,121)
At 1 July 2019 (as restated)	62,123
Additions	37,446
At 30 June 2020	99,569
Amortisation	
At 1 July 2019 (as previously stated)	178,014,750
Prior Year Adjustment	(177,998,640)
At 1 July 2019 (as restated)	16,110
Charge for the year on owned assets	9,957
At 30 June 2020	26,067
Net book value	
At 30 June 2020	73,502
At 30 June 2019 (as restated)	46,013

Notes to the financial statements
For the year ended 30 June 2020

6. Tangible fixed assets

	Computer equipment £
Cost	
At 1 July 2019	791
At 30 June 2020	<u>791</u>
Depreciation	
At 1 July 2019	198
Charge for the year on owned assets	148
At 30 June 2020	<u>346</u>
Net book value	
At 30 June 2020	<u><u>445</u></u>
At 30 June 2019	<u><u>593</u></u>

7. Fixed asset investments

	Investments in subsidiary companies £
Cost	
At 1 July 2019	10
At 30 June 2020	<u><u>10</u></u>

Subsidiary undertaking

The following was a subsidiary undertaking of the company:

Name	Class of shares	Holding
Paliapps Ltd	Ordinary	100 %

The registered office of Paliapps Ltd is 238 Station Road, Addlestone, Surrey, KT15 2PS.

Notes to the financial statements
For the year ended 30 June 2020

8. Debtors

	2020 £	As restated 2019 £
Other debtors	462,349	2,179,457
	<u>462,349</u>	<u>2,179,457</u>

Included within other debtors due within one year is a loan to a director, amounting to £1,252,929

(2019 - £1,293,819). Amounts repaid during the year totalled £259,000.

A general provision of £1,250,000 has been provided against the other debtors in the current year.

The main conditions were as follows:

The loan is repayable on demand by the company and does not incur any interest.

9. Creditors: Amounts falling due within one year

	2020 £	As restated 2019 £
Other loans	1,072,767	1,001,617
Trade creditors	34,004	67,430
Amounts owed to group undertakings	10	10
Corporation tax	407,202	420,491
Other taxation and social security	7,832	14,929
Other creditors	-	10,000
Accruals and deferred income	581,291	568,129
	<u>2,103,106</u>	<u>2,082,606</u>

10. Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
149,116 (2019 - 148,335) Ordinary shares of £0.001 each	<u>149</u>	<u>148</u>

During the year, the company issued 781 Ordinary Shares of £0.001 each for aggregate consideration of £640.40.

Notes to the financial statements
For the year ended 30 June 2020

11. Reserves

Share premium account

This reserve represents the excess of the fair value of the consideration receivable on the issue of ordinary share capital, net of the direct costs incurred in their issue, over the nominal value of those shares (which is recognised as called up share capital). Share premium may only be utilised to write-off any expenses incurred or commissions paid on the issue of those shares, or to pay up new shares to be allotted to members as fully paid bonus shares.

Profit and loss account

This reserve comprises all current and prior period retained profits and losses after deducting any distributions made to the company's shareholders.

12. Share based payments

The company operates a share options scheme for directors and consultants who receive part of their remuneration in the form of share-based payments.

The options in issue, provide the holder with the right to subscribe for share capital in the company and vest immediately on the grant date. Each option will lapse on or after the tenth anniversary of the date of grant. There are no performance related conditions attached to the options.

Movements in the number of options in issue are as follows:

	Weighted average exercise price (pence) 2020	Number 2020	Weighted average exercise price (pence) 2019	Number 2019
Outstanding at the beginning of the year	10938	9,429	10826	9,387
Granted during the year	23480	14	23480	84
Expired during the year		-		(42)
Outstanding at the end of the year	10957	9,443	10938	9,429

No options were exercisable at the year end (2019 - none).

An expense of £8,883 (2019 - £136,533) has been recognised in the year in relation to these options.

Notes to the financial statements
For the year ended 30 June 2020

13. Prior year adjustment

During the year the directors became aware of the following misstatements:

Intangible Asset

The intangible asset had been revalued in a prior period however the directors identified that there was not an accessible active market on which to base the value. The intangible asset has therefore been adjusted to cost as required under FRS102. The implications of this adjustment are stated below:

The revaluation of £593,328,788 has been removed from the carrying value of the intangible asset along with a further revaluation of £33,333,333 during the 2019 year.

Amortisation to 30 June 2018 of £115,332,424 along with a prior year charge of £65,999,549 has also been removed effecting.

All of the transactions stated above effected the profit and loss reserve.

The corresponding entries brought forward into the year ended 30 June 2020 have been adjusted so to ensure a consistent position.

Deferred Taxation

A deferred tax liability had been included within the financial statements in relation to the uplift of the intangible asset value. As the directors identified that the intangible asset should be carried at cost the deferred tax liability is no longer needed, as such it should be removed. The implications of this adjustment are stated below:

The deferred tax brought forward totaling £90,827,598 along with the deferred tax addition in the year of £5,572,794 was removed from the financial statements.

All of the transactions stated above effected the profit and loss reserve.

The corresponding entries brought forward into the year ended 30 June 2020 have been adjusted so to ensure a consistent position.

Share based payments

The directors have operated a share option scheme since the company's incorporation however during the year identified that this had not been included within the financial statements as required under FRS102 following its transition from FRSE. The following adjustments have therefore been included within the financial statements and the directors have elected not to apply FRS102 to instruments prior to the start of the first reporting period in which FRS102 has been adopted which is allowed under the rules of transition.

The charge included within the profit and loss account relating to options granted in 2018 totals £1,936,512.

The charge included within the profit and loss account relating to options granted in 2019 totals £64,825.

Notes to the financial statements
For the year ended 30 June 2020

13. Prior year adjustment (continued)

Share premium

During the year the directors identified that a share issue had not been accurately recorded in 2019 when taken into account the share premium. The following entries have therefore been included within the financial statements:

An additional share premium of £420,000 has been included as part of a share subscription. These funds were yet to be received as at 30 June 2019 and as such have been shown as a debtor.

The share premium account included a balance totaling £120,000 that on further investigation was a loan to the company. This has therefore been reclassified to creditors.

Corporation tax provision

The directors during the year identified that the financial statements for the year ended 30 June 2019 should have included a corporation tax provision of £420,491. This has now be included within creditors.

Accruals

During the prior year the management acknowledged a potential liability that was not included within the financial statements.

During the current year management confirmed that this should have been recognised and therefore a provision has been included within accruals totalling £394,314.

14. Related party transactions

All related party transactions during the current and prior periods were made under normal market conditions

15. Auditor's information

The auditor's report on the financial statements for the year ended 30 June 2020 was unqualified.

In their report, the auditor emphasised the following matter without qualifying their report:

We draw attention to note 2.3 in the financial statements, which indicates that the company is currently discussing the need for additional sources of finance from its investors. As stated in note 2.3, these events or conditions, along with the other matters as set forth in note 2.3, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In their report, the auditor also disclosed the following other matter:

The prior period financial statements of the company for the year ended 30 June 2019 were not audited.

Accordingly, the corresponding figures presented as part of the financial statements of the company for the year ended 30 June 2020 are unaudited.

The audit report was signed on 26 November 2021 by Mark Attwood FCCA (senior statutory auditor) on behalf of Kreston Reeves LLP.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.