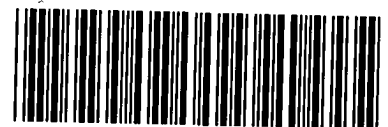


S3 ID GROUP LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2018

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COMPANIES HOUSE

S3 ID GROUP LIMITED

COMPANY INFORMATION

Directors

G Kielland
M Menon
J C Caldwell
D Gennard
E Fredriksen
Tan MK
Lim BK

Company number

07458539

Registered office

Bow Bridge Close
Rotherham
S60 1BY
UK

Auditors

RSM UK Audit LLP
Chartered Accountants
Rivermead House
7 Lewis Court
Grove Park
Enderby
Leicestershire
LE19 1SD

S3 ID GROUP LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

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

Fair review of the business incorporating key performance indicators

2018 has been a difficult year for the S3 ID group. Turnover fell by 39% to £1.8m (2017: £3.0m), primarily due to the lag in the recovery of investment in operating assets such as offshore rigs and floating platforms by the major oil companies. This was caused by the sustained fall in the price of crude oil between 2014-2017. Increased levels of competitor activity, a more cost-conscious customer and oil prices normalising at lower levels than previously enjoyed have all contributed to lower contract values than previously experienced. Due to increased customer activity outside Europe and a range of new S3 ID products coming on line in 2019, turnover in the next financial year is expected to be significantly higher than that achieved this year.

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

The strategy of maintaining the required skills within the group to achieve the targeted mid-term growth, and not engaging in short term cost cutting, together with the amount of research and development which has been expended in 2018 has resulted in an increase in the average number of staff to 30 (an increase of 20%, mainly in the software team) and an operating loss of £854k for the period (2017: profit of £101k).

At the year end the group had shareholders' funds of £1.6m (2017: £2.4m) including profit and loss reserves of £1.1m (2017: £2.0m) leaving an adequate financial position. The net current assets position at the year-end was £0.5m (2017: £1.2m), including cash balances of £0.4m (2017: £1.1m). Whilst there has been a deterioration in the balance sheet position as a result of the loss experienced during the year, management still consider that the group has a satisfactory financial position from which it can build and grow.

Research and development activities

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

Principal risks and uncertainties

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

The group 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 group plans to move into vertical markets thereby increasing the potential customer base and naturally reducing risk.

S3 ID GROUP LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

Financial risk management objectives and policies

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

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

Credit risk is the risk that one party to a financial instrument will cause a financial loss for that other party by failing to discharge an obligation. Group 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 group's debtors are shown in note 14 to the financial statements.

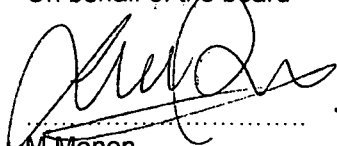
Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The group aims to mitigate liquidity risk by managing cash generation by its operations and applying cash collection targets within the group, and the availability of prearranged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

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

Future developments

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

On behalf of the board



M Menon
Director

3rd May 2019

S3 ID GROUP LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

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

Principal activities

The principal activity of the company is that of a holding company.

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

Directors

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

G Kielland
M Menon (appointed 10 September 2018)
J Caldwell
D Gennard
E Fredriksen
MK Tan
BK Lim

Results and dividends

The results for the year are set out on page 6.

The loss for the year, after taxation, amounted to £871,759 (2017 £2,550 profit). The directors do not recommend a dividend.

Matters of strategic importance

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

Directors' indemnity insurance

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

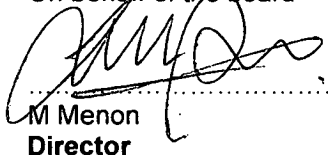
Auditor

RSM UK Audit LLP has indicated its willingness to be reappointed for another term and appropriate arrangements have been put in place for it to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Statement of disclosure to auditor

So far as the directors are aware, there is no relevant audit information of which the group's auditor is 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 group's auditor is aware of that information.

On behalf of the board



M Menon
Director

3rd May 2019

S3 ID GROUP LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors are responsible for preparing the Directors' Report, the Strategic 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 group and the company and of the profit or loss of the group and 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 group and the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and 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 GROUP LIMITED

Opinion

We have audited the financial statements of S3 ID Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2018 which comprise the consolidated statement of comprehensive income, the statements of financial position, the consolidated statement of changes in equity, the company statement of changes in equity, the consolidated statement of cash flows 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 group's and of the parent company's affairs as at 31 December 2018 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent 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 group's or the parent 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 GROUP LIMITED

Matters on which we are required to report by exception

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

Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

RSM UK Audit LLP

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

Date 22/5/19

S3 ID GROUP LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £	2017 £
Turnover	3	1,833,358	3,003,620
Cost of sales		(1,115,181)	(1,462,807)
Gross profit		<u>718,177</u>	<u>1,540,813</u>
Distribution costs		(974,247)	(752,265)
Administrative expenses		(597,570)	(687,843)
Operating (loss)/profit	4	<u>(853,640)</u>	<u>100,705</u>
Fair value gains and losses on foreign exchange contracts		(14,545)	-
Interest payable and similar expenses	7	(16,503)	(17,997)
(Loss)/profit before taxation		<u>(884,688)</u>	<u>82,708</u>
Taxation	8	12,929	(80,158)
(Loss)/profit for the financial year		<u>(871,759)</u>	<u>2,550</u>
Other comprehensive income			
Exchange differences on translating foreign operations		3,802	(2,705)
Other comprehensive income		<u>3,802</u>	<u>(2,705)</u>
Total comprehensive income for the year		<u>(867,957)</u>	<u>(155)</u>

The Statement of Comprehensive Income has been prepared on the basis that all operations are continuing.

S3 ID GROUP LIMITED

Company Registration No. 07458539

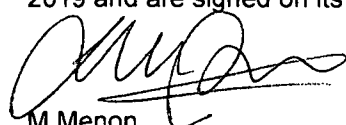
STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Notes	Group 2018 £	2017 £	Company 2018 £	2017 £
Fixed assets					
Goodwill	9	771,062	835,297	-	-
Other intangible assets	9	368,712	415,574	-	-
Total intangible assets		1,139,774	1,250,871	-	-
Tangible assets	10	20,151	54,589	-	-
Investments	11	-	-	2,430,000	2,430,000
		1,159,925	1,305,460	2,430,000	2,430,000
Current assets					
Stocks	13	45,117	38,536	-	-
Debtors	14	724,389	695,406	-	-
Cash at bank and in hand		384,895	1,050,004	-	-
		1,154,401	1,783,946	-	-
Creditors: amounts falling due within one year	15	(652,573)	(537,955)	(938,066)	(913,800)
Net current assets/(liabilities)		501,827	1,245,991	(938,066)	(913,800)
Total assets less current liabilities		1,661,754	2,551,451	1,491,934	1,516,200
Provisions for liabilities					
Deferred taxation	17	(81,005)	(102,745)	-	-
Net assets		1,580,749	2,448,706	1,491,934	1,516,200
Capital and reserves					
Called up share capital	20	1,224,000	1,224,000	1,224,000	1,224,000
Translation reserve	21	(793,150)	(796,952)	-	-
Profit and loss reserves	21	1,149,899	2,021,658	267,934	292,200
Total equity		1,580,749	2,448,706	1,491,934	1,516,200

The company's loss and total comprehensive income for the year was £24,266 (2017: £22,194).

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


M Menon
Director

3rd May 2019

S3 ID GROUP LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital £	Translation reserve £	Profit and loss reserves £	Total £
Balance at 1 January 2017	1,224,000	(794,247)	2,019,108	2,448,861
Profit for the year	-	-	2,550	2,550
Other comprehensive income, net of taxation:				
Currency translation differences on overseas subsidiaries	-	(2,705)	-	(2,705)
Total comprehensive income for the year	-	(2,705)	2,550	(155)
Balance at 31 December 2017	1,224,000	(796,952)	2,021,658	2,448,706

	Share capital £	Translation reserve £	Profit and loss reserves £	Total £
Balance at 1 January 2018	1,224,000	(796,952)	2,021,658	2,448,706
Loss for the year			(871,759)	(871,759)
Other comprehensive income, net of taxation:				
Currency translation differences on overseas subsidiaries	-	3,802	-	3,802
Total comprehensive income for the year	-	3,802	(871,759)	(867,957)
Balance at 31 December 2018	1,224,000	(793,150)	1,149,899	1,580,749

S3 ID GROUP LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital £	Profit and loss reserves £	Total £
Balance at 1 January 2017	1,224,000	314,394	1,538,394
Loss and total comprehensive income for the year	-	(22,194)	(22,194)
Balance at 31 December 2017	<u>1,224,000</u>	<u>292,200</u>	<u>1,516,200</u>

	Share capital £	Profit and loss reserves £	Total £
Balance at 1 January 2018	1,224,000	292,200	1,516,200
Loss and total comprehensive income for the year	-	(24,266)	(24,266)
Balance at 31 December 2018	<u>1,224,000</u>	<u>267,934</u>	<u>1,491,934</u>

S3 ID GROUP LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £	2017 £
Cash flows from operating activities			
Cash generated from operations	27	(737,635)	315,568
Interest paid	7	(16,503)	(17,997)
Income taxes paid		(7,224)	(7,709)
Net cash (used)/generated from operating activities		<u>(761,362)</u>	<u>289,862</u>
Investing activities			
Purchase of intangible assets	9	(54,855)	(19,900)
Purchase of tangible fixed assets	10	(3,285)	(4,231)
Profit on disposal of tangible fixed asset	4	63	-
Net cash used in investing activities		<u>(58,077)</u>	<u>(24,131)</u>
Financing activities			
Proceeds of new borrowing	15	154,330	-
Net cash from financing activities		<u>154,330</u>	<u>-</u>
Net (decrease)/increase in cash and cash equivalents		<u>(665,109)</u>	<u>265,731</u>
Cash and cash equivalents at beginning of year		1,050,004	784,273
Cash and cash equivalents at end of year		<u><u>384,895</u></u>	<u><u>1,050,004</u></u>
Relating to:			
Bank balances and short-term deposits included in cash at bank and in hand		384,895	1,050,004
		<u><u>384,895</u></u>	<u><u>1,050,004</u></u>

S3 ID GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

Company information

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

The group consists of S3 ID Group Limited and all of its subsidiaries.

The group and 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, and under the historical cost convention.

The consolidated financial statements are presented in sterling which is the functional currency of the group. Monetary amounts in these financial statements are rounded to the nearest whole £1.

As permitted by s408 Companies Act 2006, the Company has not presented its own Statement of Comprehensive Income. The Company's loss and total comprehensive income for the year was £24,266 (2017: loss and comprehensive income for the year £22,194).

Reduced disclosures

In accordance with FRS 102, the company has taken advantage of the exemptions from the following disclosure requirements:

- Section 4 'Statement of financial position' – Reconciliation of the opening and closing number of shares.
- Section 7 'Statement of Cash Flows' – Presentation of a Statement of Cash Flow and related notes and disclosures
- Section 33 'Related Party Disclosures' – Compensation for Key Management personnel

Basis of consolidation

The consolidated financial statements incorporate those of S3 ID Group Limited and all of its subsidiaries (i.e. entities that the Group controls through its power to govern the financial and operating policies so as to obtain economic benefits). All financial statements are made up to 31 December 2018.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Going concern

The directors have at the time of approving the financial statements, a reasonable expectation that the group and 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.

S3 ID GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies (continued)

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 comparing costs incurred as a proportion of total costs. Where the outcome cannot be measured reliably, turnover is recognised only to the extent of the expenses recognised that are recoverable.

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 20 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 group capitalises development expenditure as an intangible asset when it is able to demonstrate all the following:

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

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

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

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

Intangible assets are initially recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

S3 ID GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies (continued)

Intangible fixed assets other than goodwill (continued)

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

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 off the cost of assets less their residual values over their useful lives on the following bases:

Fixtures and fittings	5 years straight line
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.

Fixed asset investments

Interests in subsidiaries, in the separate accounts of the company, are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Impairment of fixed assets

At each reporting end date, the group 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 group 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.

S3 ID GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies (continued)

Impairments of fixed assets (continued)

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.

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 estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

At each reporting date, the group 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 group 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 group's statement of financial position when the group 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 and other receivables (including amounts recoverable on contracts) 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.

S3 ID GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies (continued)

Financial assets (continued)

Interest is recognised by applying the effective interest rate, except for short-term receivables 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 creditors, other creditors and bank borrowings, 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.

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.

Derivatives

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

Derecognition of financial liabilities

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

Equity instruments

Equity instruments issued by the group 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 group.

S3 ID GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

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 in 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 a 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 date.

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.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination and the amounts that can be deducted or assessed for tax. The deferred tax recognised is adjusted against goodwill.

Provisions

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

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

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

Provisions for restructuring costs are recognised when the company has a legal obligation or a constructive obligation 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 GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

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 group 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.

Assets and liabilities of overseas subsidiaries (including goodwill and fair value adjustments in relation to overseas subsidiaries) are translated into the group's presentation currency at the rate ruling at the reporting date. Income and expenses of overseas subsidiaries are translated at the average rate for the year as the directors consider this to be a reasonable approximation to the rate at the date of the transaction. Translation differences are recognised in other comprehensive income and accumulated in equity.

S3 ID GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

2 Critical accounting estimates and judgements

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

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

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

Contract revenue

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

Bad debt provision

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

Intangible assets

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

Leasing

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

Depreciation

The assessment of the useful economic lives and the method of depreciating fixed assets requires judgment. Depreciation is charged to profit or loss based on the useful economic life selected, which requires an estimation of the period and profile over which the Group 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 GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

3 Turnover

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

	2018 £	2017 £
Class of business		
Revenue from contracts	1,833,358	3,003,620
Turnover analysed by geographical market		
	2018 £	2017 £
United Kingdom	301,747	3,770
Rest of Europe	505,574	1,923,941
Rest of World	1,026,037	1,075,909
	1,833,358	3,003,620

4 Operating profit

	2018 £	2017 £
Operating profit is stated after charging/(crediting):		
Exchange (gains)/losses	(11,461)	5,298
Research and development costs	816,574	595,764
Depreciation of owned tangible fixed assets	37,723	41,663
Amortisation of intangible assets	165,952	142,265
Operating lease charges less amounts received from sub lease	55,000	55,000
(Profit)/loss on disposal of tangible fixed assets	(63)	-
Cost of stock recognised as an expense	22,849	13,634
Fees payable to the company's auditors and its associates:		
Audit of the group's and company's financial statements	18,485	18,507
Taxation compliance services	3,250	2,375

S3 ID GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

5 Employees

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

	2018 No	2017 No
Production and service	21	17
Administration	5	4
Marketing, sales and administration	4	4
	<u>30</u>	<u>25</u>

Their aggregate remuneration comprised:

	2018 £	2017 £
Wages and salaries	1,339,182	1,259,564
Social security costs	154,085	145,465
Pension costs	73,592	65,207
	<u>1,566,859</u>	<u>1,470,236</u>

6 Directors' remuneration

	2018 £	2017 £
Remuneration for qualifying services	259,490	250,527
Company contributions to defined contribution pension schemes	14,406	14,073
	<u>273,897</u>	<u>264,600</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2017: 2).

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

	2018 £	2017 £
Remuneration for qualifying services	98,703	103,332
Company contributions to defined contribution pension schemes	7,266	6,580
	<u>105,969</u>	<u>109,912</u>

S3 ID GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

7	Interest payable and similar expenses	2018 £	2017 £
	Interest on financial liabilities measured at amortised cost:		
	Interest and charges on bank overdraft facilities	16,503	17,997
	Total finance costs	<u>16,503</u>	<u>17,997</u>

8	Taxation	2018 £	2017 £
	Current tax		
	Corporation tax on profits for the current period	8,804	8,063
	Adjustments in respect of prior periods	-	(8,662)
	Total current tax	<u>8,804</u>	<u>(599)</u>
	Deferred tax		
	Origination and reversal of timing differences	(21,733)	80,757
	Total deferred tax	<u>(21,733)</u>	<u>80,757</u>
	Total tax charge/(credit)	<u>(12,929)</u>	<u>80,158</u>

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

	2018 £	2017 £
Profit before taxation	<u>(884,688)</u>	<u>82,708</u>
Expected tax charge based on a corporation tax rate of 19% (2017: 19.25%)	(168,091)	34,780
Expenses that are not deductible in determining taxable profit	13,652	-
Adjustment in respect of R&D Credit	(5,318)	(8,563)
Adjustment in respect of prior years	(22,749)	(2,767)
Adjustment in respect of deferred tax opening and closing balances & change in rates	17,637	(1,896)
Capital allowances in excess of depreciation	-	60,514
Losses carried forward not recognised	151,524	-
Permanent differences	-	(1,910)
Different tax rates in overseas jurisdictions	416	-
Tax (credit)/charge for the year	<u>(12,929)</u>	<u>80,158</u>

From 1 April 2018, the UK taxation rate has been 19%. Legislation to reduce the main rate of corporation tax to 17% from 1 April 2020 was enacted in October 2017. The deferred tax balances within these financial statements have been reassessed to reflect these rate reductions and the period in which any related timing differences are expected to reverse.

S3 ID GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

9	Intangible assets Group	Goodwill	Research and	Software	Total
		arising on consolidation £	development £	development £	
	Cost				
	1 January 2018	1,284,707	4,300	505,863	1,884,540
	Additions	-	54,855	-	54,855
	Disposals	-	-	-	-
	31 December 2018	1,284,707	59,155	505,863	1,849,725
	Amortisation and impairment				
	1 January 2018	449,410	-	94,589	633,669
	Amortisation charged in the year	64,235	544	101,173	165,952
	Disposals	-	-	-	-
	31 December 2018	513,645	544	195,762	709,951
	Carrying amount				
	31 December 2018	771,062	58,611	310,101	1,139,774
	31 December 2017	835,297	4,300	411,274	1,250,871

The amortisation charge for the year is recognised within administrative expenses.

10	Tangible fixed assets Group	Computer	Fixtures &	Total
		equipment £	fittings £	
	Cost			
	1 January 2018	21,393	203,581	224,974
	Additions	3,285	-	3,285
	Disposals	(913)	-	(913)
	31 December 2018	23,765	203,581	227,346
	Depreciation			
	1 January 2018	10,630	159,755	170,385
	Depreciation charged in the year	5,600	32,123	37,723
	Disposals	(913)	-	(913)
	31 December 2018	15,317	191,878	207,196
	Carrying amount			
	31 December 2018	8,448	11,703	20,151
	31 December 2017	10,763	43,826	54,589

S3 ID GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

11 Fixed asset investments

Company	Investment in subsidiaries £
Cost	
At 1 January 2018	2,430,000
At 31 December 2018	<u>2,430,000</u>
Carrying amount	
At 1 January 2018	2,430,000
At 31 December 2018	<u><u>2,430,000</u></u>

12 Subsidiary undertakings

The company's subsidiary undertakings are:

<i>Name of undertaking</i>	<i>Class of shareholding</i>	<i>Proportion of nominal value held directly</i>	<i>Country of incorporation</i>
S3 ID Limited	Ordinary	100%	England
S3 ID AS	Ordinary	100%	Norway
S3 ID LLP	Ordinary	100%	Kazakhstan

The principal activity of S3 ID Limited and S3 ID AS is the design and manufacture of 'location awareness' solutions spanning personnel and asset tracking, personnel on board or on site (POB/POS), mustering, access control, safety and security and finally travel logistics management, in hazardous areas. S3 ID LLP is dormant. The registered office of S3 ID Limited is Bow Bridge Close, Rotherham, South Yorkshire, S60 1BY. The registered office of S3 ID AS is c/o Amesto Account House, Ståvaanger AS, Luramyveien 79, 4313 Sandes, Norway. The registered office of S3 ID LLP is Baitursynova 98/2, apt 60, Almaty, Kazakhstan, A15G9C0.

13 Stocks

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Raw materials and consumables	45,117	38,536	-	-
	<u>45,117</u>	<u>38,536</u>	<u>-</u>	<u>-</u>

S3 ID GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

14 Debtors

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	319,648	391,399	-	-
Amounts recoverable on contracts	263,940	176,885	-	-
Government grants – R&D enhanced credit recoverable	45,551	17,560	-	-
Other debtors	54,221	38,023	-	-
Prepayments and accrued income	41,029	71,539	-	-
	<u>724,389</u>	<u>695,406</u>	<u>-</u>	<u>-</u>

15 Creditors: Amounts falling due within one year

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Corporation tax payable	8,642	7,772	-	-
Other taxation and social security	49,603	56,391	-	-
Payments received on account	94,237	79,438	-	-
Trade creditors	147,735	137,390	-	-
Amounts owed to group undertakings	-	-	938,066	913,800
Bank overdraft	154,330	-	-	-
Accruals and deferred income	167,894	158,762	-	-
Other creditors	30,132	98,202	-	-
	<u>652,573</u>	<u>537,955</u>	<u>938,066</u>	<u>913,800</u>

The group has an overdraft facility of £1.15m secured by a floating charge over the group's assets.

The bank overdraft is an annual facility, which expires in November 2020 and is repayable on demand.

Amounts owed by group undertakings are denominated and repaid in pounds sterling, have contractual interest rates that are variable rates linked to NIBOR that are not leveraged, and do not contain conditional returns or repayment provisions other than to protect the lender against credit deterioration or changes in relevant legislation or taxation.

Amounts owed to group undertakings due within one year within the company are repayable on demand and bears variable-rate coupons of 2% above NIBOR.

S3 ID GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

16 Financial instruments

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Carrying amount of financial assets				
Debt instruments measured at amortised cost	589,183	606,867	-	-
	<u>589,183</u>	<u>606,687</u>	<u>-</u>	<u>-</u>
Carrying amount of financial liabilities				
Measured at amortised cost	397,198	473,792	938,066	913,800
Measured at fair value through profit and loss	14,545	-	-	-
	<u>411,743</u>	<u>473,792</u>	<u>938,066</u>	<u>913,800</u>

Foreign exchange forward contracts

27% of the group turnover for 2018 relates to transactions conducted in US Dollars. As a consequence, the Group uses foreign currency forward contracts to manage the foreign change risk of future transactions and cash flows.

The contracts are valued based on available market data. The group does not adopt hedge accounting for forward exchange contracts, consequently, fair value gains and losses are recognised in profit or loss.

At the year end the total carrying amounts for outstanding foreign exchange forward contracts that the Group has committed to are as follows:-

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
US Dollars	346,910	-	-	-
	<u>346,910</u>	<u>-</u>	<u>-</u>	<u>-</u>

S3 ID GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

17 Provisions for liabilities

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Deferred tax liabilities	81,005	102,745	-	-
	<u>81,005</u>	<u>102,745</u>	<u>-</u>	<u>-</u>

Movements on provisions are as follows:

	Deferred Taxation £
Group	
1 January 2018	102,745
Release in the year	(21,733)
FX adjustment	(7)
31 December 2018	<u>81,005</u>

18 Deferred taxation

The deferred tax liability of £81,005 (2017: £102,745) relates to foreign exchange gains on intercompany loans, which are expected to reverse when settled, and accelerated capital allowances which are expected to reserve over the useful economic life of the assets.

The major deferred tax liabilities recognised are:

	Group		Company	
Deferred tax liabilities:	2018	2017	2018	2017
	£	£	£	£
Other timing differences	25,419	27,130	-	-
Accelerated capital allowances	55,586	75,615	-	-
Total	<u>81,005</u>	<u>102,745</u>	<u>-</u>	<u>-</u>

19 Retirement benefit schemes

Defined contribution schemes

The group operates defined contribution pension schemes for all qualifying employees in the United Kingdom and Norway. The assets of the schemes are held separately from those of the group in independently administered funds. The contributions payable by the group charged to profit or loss amounted to £73,592 (2017: £65,207). Contributions totalling £10,116 (2017: £nil) were payable to the fund at the year end and are included in creditors.

S3 ID GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

20 Share capital

	A ordinary shares of £1 each Number	B ordinary shares of £1 each Number	Total Number
Allotted, issued and fully paid: 1 January 2018	918,000	306,000	1,224,000
31 December 2018	<u>918,000</u>	<u>306,000</u>	<u>1,224,000</u>

The company's ordinary shares rank *pari passu* in respect of voting rights and rights on distribution on winding up of the company. Each class of share may receive different dividends at the discretion of the directors, but carry no right to fixed income, and each share carries the right to one vote at general meetings of the company.

21 Reserves

Translation reserve

The translation reserve represents foreign exchange gains and losses on the retranslation of the results and net assets and liabilities of the company's foreign subsidiaries.

Profit and loss reserves

Cumulative profit and loss net of distributions to owners.

22 Operating lease commitments

Group

Lessee

Operating lease payments represent rentals payable by the Group in respect of its UK 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 group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2018 £	2017 £
Within one year	115,000	115,000
Between one and five years	460,000	460,000
After five years	-	115,000
	<u>575,000</u>	<u>690,000</u>

S3 ID GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

22 Operating lease commitments (continued)

Group (continued)

Lessor

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

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

23 Remuneration of key management personnel

The total remuneration of the directors and the directors of subsidiary companies, who are considered to be the key management personnel of the group was £559,886 (2017: £531,713).

24 Related party transactions

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

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

25 Ultimate parent company and ultimate controlling party

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

S3 ID Pte Limited is the immediate parent, and the smallest group for which consolidated accounts including S3 ID Group Limited are prepared.

The directors consider the ultimate parent, and the largest group for which consolidated accounts including S3 ID Group Limited are prepared, to be CSE Global Limited, a company incorporated in Singapore. The consolidated accounts of CSE Global Limited are available from their website.

S3 ID GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

26 Cash generated from operations

	2018 £	Group 2017 £
(Loss)/profit for the year	(871,759)	2,550
Adjustments for:		
Income tax (credit)/expense recognised in profit or loss	(12,929)	80,158
Finance costs recognised in profit or loss	16,503	17,997
Amortisation of intangible assets	165,952	142,265
Depreciation and impairment of tangible fixed assets	37,723	41,663
Fair value losses on financial instruments	14,545	-
Foreign exchange (gains)/losses	(11,461)	5,298
Profit on disposal of tangible fixed assets	(63)	-
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Operating cash flows before movements in working capital	(661,489)	289,931
(Increase)/decrease in stock	(6,581)	3,759
(Increase)/decrease in trade and other debtors	(28,983)	253,254
(Decrease) in trade and other creditors	(40,582)	(231,376)
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Cash generated from operations	(737,635)	315,568
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