Company Registration No. 05164220

IRISGUARD UK LIMITED

Annual Report and Financial Statements

For the year ended 31 December 2019

IRISGUARD UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2019

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IRISGUARD UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2019

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

R T A Kawar
I K A Malhas

COMPANY SECRETARY

E C Holland

COMPANY NUMBER

05164220

REGISTERED OFFICE

Suite 43, Shenley Pavilions
Chalkdell Drive
Shenley Wood
Milton Keynes
Bucks
MK5 6LB

AUDITOR

Deloitte LLP
Statutory Auditor
Cambridge
United Kingdom

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2019.

The directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

PRINCIPAL ACTIVITIES

The principal activity of the company during the year was the development and sale of iris recognition technology solutions.

The directors have assessed that because of its activity of providing Irisguard Technology solutions in the Middle East, the company would not be impacted significantly by the UK exit from the EU.

GOING CONCERN

The Directors have, at the time the financial statements were approved, a reasonable expectation that the Company have 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.

When considering whether the going concern basis of preparing the financial statements is appropriate, the Directors have considered the Company cash position, available financing facilities, its long-term contracts with customers, future pipeline and the business forecasts and investment plans.

The Company has a considerable level of financial resources, represented by a net asset position of £933,787 (2018: £1,936,022) and as a consequence, the directors believe that the company is well placed to manage business risks successfully. The company continues to be cash positive and has increased the overall cash position to £145k at the year end.

During the year, the company recorded a net operating loss of £1,059,227 (2018: £3,027,063), mainly due to high research and development costs incurred in the year as the business continues to grow. The business is moving towards being profit generative as monthly revenues have continued to grow over the year, as a result of a number of new long term contracts being signed. The business has therefore transitioned to generating negative monthly cash flows to generating positive monthly cash flows. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future as the business is cash-generating. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

In the light of recent COVID19 crisis, the board of directors has made a detailed assessment of the company's going concern, evaluating key risks. The company has produced a "stress test" for its key inputs. The main assumption of this test is that the business has applied an 80% discount rate to the future pipeline work to account for the risk and uncertainty surrounding COVID19.

Based on this "stress test", the directors believe that the company is robust enough to face this crisis and will have sufficient liquidity to continue its operations.

DIRECTORS

The directors who served throughout the year, and up to the date of signing were:

R Kawar
I Malhas

DIRECTORS' INDEMNITIES

The company has made qualifying third party indemnity provisions for the benefit of its directors of the ultimate controlling party: Irisguard Holdings Limited, which were made during the year and remain in force at the date of this report.

IRISGUARD UK LIMITED

DIRECTORS' REPORT

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual 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), including FRS 101 "Reduced Disclosure Framework". 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 judgments and accounting estimates that are reasonable and prudent; and
- 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.

AUDITOR

The directors at the date of approval of this annual report confirm that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them as auditor will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

I Malhas
Director

Date: 26th August 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IRISGUARD UK LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of IrisGuard UK Limited (the 'Company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 22.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (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 are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IRISGUARD UK LIMITED (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report 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 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 respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

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 any material misstatements in the directors' report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IRISGUARD UK LIMITED (continued)

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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; or
- the directors were not entitled to take advantage of the small companies' exemption in preparing the directors' report and from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.

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.

Adam Norman

Adam Norman (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Cambridge
United Kingdom

Date: 26 August 2020

INCOME STATEMENT
For the year ended 31 December 2019

	Note	2019 £	2018 £
REVENUE	4	1,611,011	700,253
Cost of sales		(332,101)	(281,580)
GROSS PROFIT		1,278,910	418,673
LESS: OVERHEADS			
Other operating cost, excluding depreciation and amortization		(2,750,996)	(3,439,079)
Other operating costs: depreciation and amortization		(138,973)	(63,019)
OPERATING LOSS	5	(1,611,059)	(3,083,425)
Other income		311,468	56,362
Interest payable and expenses	8	(9,203)	-
LOSS BEFORE TAXATION		(1,308,794)	(3,027,063)
Tax on loss	9	245,984	-
LOSS FOR THE FINANCIAL YEAR		(1,062,810)	(3,027,063)

All activities derive from continuing operations.

There are no comprehensive income or expenses other than the loss for the financial year and the preceding financial year. Accordingly, no statement of comprehensive income is given.

IRISGUARD UK LIMITED

BALANCE SHEET
As at 31 December 2019

	Note	2019 £	2018 £
FIXED ASSETS			
Intangible assets	10	72,509	71,994
Tangible assets	11	749,186	414,547
Right of use assets	13	108,752	-
Investments	12	5,822	68,398
		936,269	554,939
CURRENT ASSETS			
Stocks	14	1,212,374	1,350,050
Debtors	15	3,659,166	3,477,926
Cash at bank and in hand		144,290	275,102
		5,015,830	5,103,078
CURRENT LIABILITIES			
Trade and other payables	16	(4,950,386)	(3,718,943)
NET CURRENT ASSETS		65,444	1,384,135
NON-CURRENT LIABILITIES	16	(71,509)	-
TOTAL LIABILITIES		(5,021,895)	(3,718,943)
NET ASSETS		930,204	1,939,074
CAPITAL AND RESERVES			
Called up share capital	17	8,732,337	8,732,337
Currency translation reserve	17	131,029	77,089
Profit and loss account		(7,933,162)	(6,870,352)
SHAREHOLDERS' FUNDS		930,204	1,939,074

The financial statements of IrisGuard UK Limited, registered number 05164220, were approved by the Board of Directors and authorised for issue on 26th August 2020.

Signed on behalf of the Board of Directors

I Malhas
Director

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019

	Called up share capital £	Currency translation reserve £	Profit and loss account £	Total £
At 1 January 2018	4,191,921	-	(3,843,289)	348,632
Loss for the financial year	-	-	(3,027,063)	(3,027,063)
Total comprehensive expense for the year	-	-	(3,027,063)	(3,027,063)
Shares issued during the year	4,540,416	-	-	4,540,416
Total transactions with owners	4,540,416	-	-	4,540,416
Exchange movement during the year	-	77,089	-	77,089
At 31 December 2018	8,732,337	77,089	(6,870,352)	1,939,074
Loss for the financial year	-	-	(1,062,810)	(1,062,810)
Total comprehensive expense for the year	-	-	(1,062,810)	(1,062,810)
Exchange movement during the year	-	53,940	-	53,940
At 31 December 2019	8,732,337	131,029	(7,933,162)	930,204

1. GENERAL INFORMATION

Irisguard UK Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the registered office is given on page 1.

The principal activity of the company during the year was that of the provision of Iris Recognition solutions to customers around the world and ongoing research and development to provide innovative solutions for its customers.

The financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates.

These financial statements are separate financial statements. The company is exempt from the preparation and delivery of consolidated financial statements, because it is included in the group accounts of IrisGuard Holdings Limited. The group accounts of IrisGuard Holdings Limited are available to the public and can be obtained as set out in note 20.

These financial statements have been prepared in accordance with applicable accounting standards and in accordance with Financial Reporting Standard 101 'The Reduced Disclosure Framework' (FRS 101).

Adoption of IFRS 16 (Leases)

In the current year, the Company has applied IFRS 16 Leases (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in Note 2. The impact of the adoption of IFRS 16 on the Company's consolidated financial statements is described below.

The date of initial application of IFRS 16 for the Company is 1 January 2019.

The Company has applied IFRS 16 using the cumulative catch-up approach which:

- requires the Company to recognise the cumulative effect of initially applying IFRS 16, with an adjustment being made to the opening balance of retained earnings at the date of initial application if there is a difference between the assets and liabilities recognized. There has been no amount posted to opening retained earnings;
- does not permit restatement of comparatives, which continue to be presented under IAS 17 and IFRIC 4.

(a) Impact of the new definition of a lease

The Company has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered or changed before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

The Company applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or changed on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Company has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Company.

1. GENERAL INFORMATION (continued)

(b) Impact on Lessee Accounting

(i) Former operating leases

IFRS 16 changes how the Company accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying IFRS 16, for all leases (except as noted below), the Company:

- recognises right-of-use assets and lease liabilities in the balance sheet, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with IFRS 16:C8(b)(ii);
- recognises depreciation of right-of-use assets and interest on lease liabilities in the income statement;

Lease incentives (e.g. rent free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (which includes tablets and personal computers, small items of office furniture and telephones), the Company has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This was not applicable in the current year and therefore the expense recognised was £nil.

The Company has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying IAS 17.

- The Company has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Company has adjusted the right-of-use asset at the date of initial application by the amount of provision for onerous leases recognised under IAS 37 in the balance sheet immediately before the date of initial application as an alternative to performing an impairment review.
- The Company has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application. This was not applicable in the current year and therefore the expense recognised was £nil.
- The Company has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- The Company has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

(ii) Former finance leases

For leases that were classified as finance leases applying IAS 17, the carrying amount of the leased assets and obligations under finance leases measured applying IAS 17 immediately before the date of initial application is reclassified to right-of-use assets and lease liabilities respectively without any adjustments, except in cases where the Company has elected to apply the low-value lease recognition exemption.

The right-of-use asset and the lease liability are accounted for applying IFRS 16 from 1 January 2019.

(c) Impact on Lessor Accounting

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

1. GENERAL INFORMATION (continued)

Under IFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17).

Because of this change, the Company has reclassified certain of its operating sublease agreements as finance leases and accounted for them as new finance leases entered into at the date of initial application. As required by IFRS 9, an allowance for expected credit losses has been recognised on the finance lease receivables.

(d) Financial impact of initial application of IFRS 16.

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the balance sheet on 1 January 2019 is 8.88%.

The following table shows the operating lease commitments disclosed applying IAS 17 at 31 December 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

	£
Impact on retained earnings as at 1 January 2019	
Operating lease commitments at 31 December 2018	82,258
Effect of discounting the above amounts	(9,313)
Lease liabilities recognised at 1 January 2019	72,945

The Company has recognised £67,232 (see note 13) of right of use assets and £72,495 of lease liabilities upon transition to IFRS 16. The difference of £nil is recognised in retained earnings as a result of the transition.

2. ACCOUNTING POLICIES

Basis of accounting

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have all been applied consistently throughout the year unless otherwise stated. The financial statements have been prepared on a historical cost basis.

2. ACCOUNTING POLICIES (continued)

The following principal accounting policies have been applied:

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- The requirements the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies (see note 3).

Going concern

In making their assessment in respect of going concern, the Directors have considered any material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

In light of recent COVID19 crisis, the board of directors has made a thorough assessment of the company's going concern, evaluating all impacts and the directors have concluded that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements. Further information regarding going concern has been set out in the Directors Report.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the company has transferred the significant risks and rewards of ownership to the buyer;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Group has three main streams of revenue which have different recognition in respect of IFRS 15.

2. **ACCOUNTING POLICIES (continued)**

Revenue (continued)

For transactional revenue contracts, performance obligations include the installation of hardware (which remains under the company's ownership) and implementation of the solution including integration with customer infrastructure. Revenue recognition and invoicing is typically made on a monthly basis based on the customer's use of the solution during the month and the monthly gross margin includes an element relating to the cost of renting the hardware and maintenance.

For one-off product sales, performance obligations include the installation of customer hardware and implementation and integration with customer infrastructure. Revenue recognition and invoicing occurs once these obligations are complete. A maintenance contract is typically sold alongside one-off product sales.

For maintenance contracts, revenue is recognised evenly on a monthly basis over the period of the contract. Obligations include the repair or replacement of any faulty equipment.

Foreign currencies

Transactions in currencies other than the Company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

Translation of financial results of operations in other currencies

The GBP is the functional currency of the company's significant businesses and has accordingly been selected as the reporting currency of the company. The assets and liabilities of operations in other currencies, are translated to the company's functional currency at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of operations in other currencies are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

Exchange differences arising from this translation of operations in other currencies are taken directly to the currency translation reserve. They are released into the statement of total comprehensive income upon disposal of that operation in other currencies. Exchange differences arising from a monetary item receivable from or payable to an operation in other currencies, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in an operation in other currencies and are recognised directly in equity in the currency translation reserve.

Leases

The Company has applied IFRS 16 using the cumulative catch-up approach and therefore comparative information has not been restated and is presented under IAS 17. The details of accounting policies under both IAS 17 and IFRS 16 are presented separately below.

Policies applicable from 1 January 2019

The Company as lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

2. ACCOUNTING POLICIES (continued)

Leases (continued)

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the balance sheet.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'impairment of tangible and intangible assets' policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the operating costs line item on page 7.

2. ACCOUNTING POLICIES (continued)

Leases (continued)

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For a contracts that contain a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

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.

An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset might be impaired.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal.

Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

The estimated useful lives range as follows:

Intellectual property	10 years straight line
Software	5 years straight line

Research and development

The company is recognised as a world leader in Iris Recognition Technology. Its principal activity is the provision of Iris recognition solutions and ongoing research and development in the field to provide innovative solutions for its customers.

Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. While the company and group remain loss-making all research and development expenditure is expensed. During the year £1,011,031 (2018: £419,620) of research and development was recognised as an expense.

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.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Equipment at customer sites	33%
Plant and machinery	10-20%
Fixtures and fittings	10-33%
Office equipment	20%
Motor vehicles	20%

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.

2. ACCOUNTING POLICIES (continued)

Tangible fixed assets (continued)

If the recoverable amount of an asset is estimated to be less than the carrying value, the amount of the asset is reduced to its carrying value.

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

Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment..

Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

Financial instruments

The company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets

The company recognises its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired.

Other than the financial assets in a qualifying hedging relationship, the company's accounting policy for each category is as follows:

Fair value through profit or loss

This category comprises only in-the-money derivatives. These are carried in the balance sheet at fair value with changes in fair value recognised in the profit and loss account (FVTPL).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within operating costs in the income statement. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

Financial liabilities

The company classifies all of its financial liabilities as liabilities at amortised cost.

2. ACCOUNTING POLICIES (continued)

Financial instruments (continued)

At amortised cost

Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the balance sheet.

Finance costs

Finance costs are charged to the profit and loss account 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.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred. Liabilities for employee benefits for wages, salaries and annual leave represent present obligations resulting from employees' services provided up to the reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the company expects to pay as at the reporting date.

A liability is recognised for the amount expected to be paid under short-term cash bonus plans if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 2, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts 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.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Critical judgements in applying the Company's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Stock provision:

The company holds a significant quantity of parts in stock to be ready for production runs and to support equipment in the field. Given the ad hoc nature of production runs and the need to secure supplies of scarce components, the level of stock held can represent sufficient stock for many years requirement. The assessment of the appropriate level of stock provision can therefore require management judgement as to which stock will be required in the future and which stock may be excess and require a provision to reflect its net realisable value. In arriving at the provision careful consideration is taken to assess each part's likely usage for anticipated production runs, new product developments and supporting the existing estate.

Key sources of estimation uncertainty

The key assumptions are those concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The directors consider there are none.

4. REVENUE

The revenue and profit before taxation are attributable to the provision of Iris recognition technology solutions.

An analysis of revenue by geographical area is as follows:

	2019 £	2018 £
UK	-	-
Rest of the World	1,611,011	700,253
	1,611,011	700,253

5. OPERATING LOSS

Operating loss is after charging/(crediting):

	2019 £	2018 £
Depreciation of owned fixed tangible assets	84,818	57,238
Depreciation of owned fixed tangible assets (included in cost of sales)	51,657	-
Depreciation of right of use assets	39,635	-
Research and development costs (including relevant salaries)	341,506	298,870
Net loss/(profit) on foreign currency translation	19,239	27,198
Impairment of amounts owed from group undertakings	-	1,523,732
Gain on disposal of tangible fixed assets	-	(9,076)
Cost of stock recognised as an expense	332,101	281,580
Operating lease costs:		
Land and buildings	-	53,657

6. AUDITOR'S REMUNERATION

The company paid the following amounts to its auditor in respect of the audit of the financial statements:

	2019	2018
	£	£
Fees for the audit of the Company	40,000	20,500

The Company has taken advantage of the exemption not to disclose amounts paid for non-audit services separately as these are disclosed in the group accounts of Irisguard Holdings Limited.

7. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2019	2018
	£	£
Salaries	1,618,833	1,097,784
Social security costs	137,012	62,464
Other pension costs (note 18)	18,871	16,334
	1,774,716	1,176,582

The average monthly number of employees, including the directors, during the year was as follows:

	2019	2018
	No	No
Management and administration	11	10
Sales and marketing	5	-
Operations	4	3
Research and development	7	4
	27	17
	£	£
Directors' remuneration	262,172	178,893
Highest paid director	262,172	178,893

8. INTEREST PAYABLE AND SIMILAR EXPENSES

	2019	2018
	£	£
Interest payable on lease liabilities	9,203	-

9. TAXATION ON LOSS

	2019 £	2018 £
Current taxation	245,984	-
Deferred taxation (note 21)	-	-
Total	245,984	-

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 19% (2018: 19%). The actual tax charge for the current year and the previous year differs from the standard rate for the reasons set out in the following reconciliation:

	2019 £	2018 £
Loss before tax	(1,308,797)	(3,027,063)
Loss at blended standard rate of corporation tax of 19% (2018 - 19%)	(248,671)	(575,142)
Effects of:		
Expenses not deductible for tax purposes	248,671	575,142
R&D Expenditure credit	245,984	-
Current tax income for year	245,984	-

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. There is no material impact of this change.

10. INTANGIBLE FIXED ASSETS

	Intellectual property and software £
Cost	
At 1 January 2019	250,313
Additions	16,785
Exchange	(7,123)
At 31 December 2019	259,975
Amortisation	
At 1 January 2019	178,319
Exchange	(2,016)
Charge for year	11,163
At 31 December 2019	187,466
Net book value	
At 31 December 2019	72,509
At 31 December 2018	71,994

Intellectual property is amortised over 10 years.

Software is amortised over 5 years.

11. TANGIBLE FIXED ASSETS

	Equipment at customer sites £	Plant and machinery £	Fixtures and fittings £	Office equipment £	Motor vehicles £	Total £
Cost						
At 1 January 2019	171,344	676,462	71,381	291,210	53,056	1,263,453
Additions	304,116	100,014	42,180	26,388	-	472,698
At 31 December 2019	475,460	776,476	113,561	317,598	53,056	1,736,151
Depreciation						
At 1 January 2019	-	551,883	60,064	232,537	4,422	848,906
Charge for the year	51,657	47,564	7,523	18,750	10,308	135,802
Exchange	-	2,257	-	-	-	2,257
At 31 December 2019	51,657	601,704	67,587	251,287	14,730	986,965
Net book value						
At 31 December 2019	423,803	174,772	45,974	66,311	38,326	749,186
At 31 December 2018	171,344	124,579	11,317	58,673	48,634	414,547

12. FIXED ASSET INVESTMENTS

	Investments in subsidiary companies £
Cost	
At 1 January 2019	68,398
Repaid	(62,576)
At 31 December 2019	5,822
Net book value	
At 31 December 2019	5,822
At 31 December 2018	68,398

The company owns 100% of the shares of IrisGuard LLC, a company incorporated in Jordan, which is also the principal place of business for the company.

13. RIGHT OF USE ASSETS

	£
Cost	
Amount recognized on transition to IFRS16	67,232
Additions – new leases in the year	81,155
At 31 December 2019	148,387
Accumulated depreciation	
At 1 January 2019	-
Depreciation	39,635
At 31 December 2019	39,635
Net book value	
At 31 December 2019	108,752
At 31 December 2018	-

14. STOCKS

	2019 £	2018 £
Finished goods	712,746	866,057
Raw materials and consumables	499,628	483,993
	1,212,374	1,350,050

There was no material difference between the balance sheet value of stock and their replacement cost.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

15. DEBTORS

	2019 £	2018 £
Amounts falling due within one year:		
Trade debtors	277,217	343,229
Other debtors	26,119	33,655
Employee receivables	6,192	-
Amounts owed by fellow group companies	3,057,964	3,025,990
Prepayments	114,891	75,052
Tax credit receivable	176,783	-
	3,659,166	3,477,926

During the year a provision of £nil (2018: £1,523,732) was made against a balance due from the company's immediate parent undertaking, Irisguard Inc.

£3,057,964 (2018 - £3,016,684) of amounts owed by fellow group companies relates to investing activities. The balance relates to ongoing trading activity with no fixed repayment dates. All balances are interest free and unsecured.

16. TRADE AND OTHER PAYABLES

	2019 £	2018 £
Trade creditors	84,885	419,422
Amounts owed to group undertakings	-	36,213
Amounts owed to parent undertaking	4,696,301	3,016,684
Other taxation and social security	25,530	15,935
Other creditors	38,748	50,713
Other loans	-	69,084
Lease liabilities	45,144	-
Accruals and deferred income	59,778	110,892
	4,950,386	3,718,943
Non-current liabilities		
Lease liabilities	71,509	-

In the current year, the outstanding loan of £69,084 has been repaid in full, as represented by the balance as at 31 December 2019. The business has not raised a new loan as replacement within this entity.

£4,696,301 (2018 - £3,016,684) of amounts owed to group companies relates to sums owed to the company's immediate parent undertaking, Irisguard Inc., largely in return for the transfer of net assets as part of a group restructure in May 2018. £1,679,617 of this amount relates to sums received following the raising of \$2.3m of new share capital by the company's ultimate parent undertaking. The sums have no fixed repayment dates and are interest free.

17. SHARE CAPITAL AND RESERVES

2019	£	2018 £
Authorised, allotted, called up and fully paid		
8,732,337 (2018 - 8,732,337) ordinary shares of £1 each	8,732,337	8,732,337
Other reserves		
Currency Translation reserve	131,029	77,089

The assets and liabilities of operations in other currencies have been translated to the company's functional currency, with the exchange differences arising from this translation of operations being taken directly to the currency translation reserve.

18. PENSION COMMITMENTS

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions payable by the company to the fund amounted to £18,871 (2018: £16,334). Contributions totalling £4,154 (2018: £2,275) were payable to the fund at the reporting date.

19. OPERATING LEASE COMMITMENTS

At 31 December 2019 the company had future minimum lease payments under non-cancellable operating leases as follows:

2019	£	2018 £
Not later than one year	45,144	34,337
Later than 1 year and not later than 5 years	71,509	47,921
	116,653	82,258

20. CONTROLLING PARTY

The immediate parent undertaking is Irisguard Inc. and the ultimate parent undertaking and controlling party is Irisguard Holdings Limited which is the parent undertaking of the smallest and largest group to consolidate these financial statements and is incorporated in the United Kingdom. Group financial statements are available upon request from the registered address at Suite 43 Shenley Pavilions, Chalkdell Drive, Milton Keynes, Buckinghamshire, MK5 6LB which is also the registered address of the largest and smallest undertakings.

21. DEFERRED TAX

The company has an unprovided deferred tax asset of £1,155k (2018 - £945k) in respect of tax losses of £6,794k (2018 - £5,559k).

22. EVENTS AFTER THE BALANCE SHEET DATE

COVID19 crisis has been considered while preparing this financial statements and it is believed that at this stage it has no impact on the carrying value of this set of financial statements and considered a non-adjusting event. The company will look to continue to monitor the future impact closely.