

Company Registration No. 03693883 (England and Wales)

**INSIDE SECURE UK LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

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# INSIDE SECURE UK LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	R V Detourniere A P Bear
<b>Secretary</b>	Jordan Company Secretaries Limited
<b>Company number</b>	03693883
<b>Registered office</b>	20-22 Bedford Row London WC1R 4RS
<b>Auditor</b>	Eacotts International Limited Grenville Court Britwell Road Burnham Buckinghamshire SL1 8DF
<b>Business address</b>	1st Floor 146 West Regent Street Glasgow G2 2RQ
<b>Bankers</b>	Bank of Scotland 41 Princess Mall East Kilbride Scotland G74 1LA

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# INSIDE SECURE UK LIMITED

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# INSIDE SECURE UK LIMITED

## DIRECTORS' REPORT

**FOR THE YEAR ENDED 31 DECEMBER 2016**

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The directors present their annual report and financial statements for the year ended 31 December 2016.

### Principal activities

During the year the principal activity of the company was modified from the development of integrated circuits, to the development of semiconductor intellectual property and software which is then licensed to customers who design and manufacture the integrated circuits. The end use of the technology is still to provide security for electronic systems.

We aim to present a balanced and comprehensive review of the development and performance of the year and its position at year end. Our review is consistent with the size and non complex nature of our business and is written in the context of the risks and uncertainties we face.

The majority of our revenue is generated through inter-company billing of all site overhead costs to INSIDE Secure S.A. in France, subject to an inter-company transfer pricing agreement.

Revenue in the year under review has fallen by £440,484 (17.4%) compared to 2015. The financial position of the company is in line with expectations and consistent with the size and complexity of the business.

As for many businesses of our size, the business environment in which we operate continues to be challenging. The global market for our products is highly competitive and margins are tight. We are aware that any future developments of our business may be subject to unforeseen future events outside our control.

### Directors

The directors' interests in the shares of the company were as stated below:

R V Detourniere

A P Bear

### Results and dividends

The results for the year are set out on page 5.

The directors do not recommend payment of an ordinary dividend.

### Research and development

The main activity of the company is to provide R&D services to the parent company in France. The majority of our revenue is generated through inter-company billing of costs to INSIDE Secure S.A., subject to an inter-company transfer pricing agreement. Costs and therefore revenue are dependent on the size of the R&D activity.

### Auditor

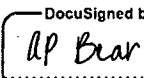
Eacotts International Limited are deemed to be re-appointed in accordance with an elective resolution made under section 386 of the Companies Act 1985 which continues in force under the Companies Act 2006.

### Statement of disclosure to auditor

(a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board

DocuSigned by:  
  
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A P Bear

Director

27 April 2017

# **INSIDE SECURE UK LIMITED**

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

***FOR THE YEAR ENDED 31 DECEMBER 2016***

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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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

# **INSIDE SECURE UK LIMITED**

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE MEMBERS OF INSIDE SECURE UK LIMITED**

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We have audited the financial statements of INSIDE Secure UK Limited for the year ended 31 December 2016 set out on pages 5 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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.

#### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of our 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.

# INSIDE SECURE UK LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

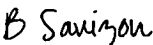
### TO THE MEMBERS OF INSIDE SECURE UK LIMITED

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#### Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the company is entitled to claim exemption in preparing a strategic report due to it being a member of an ineligible group.

DocuSigned by:  
  
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**Mr Brandis Savizon FCCA (Senior Statutory Auditor)**  
**for and on behalf of Eacotts International Limited**

19 May 2017  
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**Chartered Accountants**  
**Statutory Auditor**

Grenville Court  
Britwell Road  
Burnham  
Buckinghamshire  
SL1 8DF

# INSIDE SECURE UK LIMITED

## PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2016

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	Notes	2016 £	2015 £
Turnover	3	2,090,902	2,531,386
Administrative expenses		(4,141,824)	(2,797,568)
Operating loss	4	(2,050,922)	(266,182)
Interest payable and similar expenses	6	(154,019)	(127,933)
Amounts written off investments	7	(5,594,006)	-
Loss before taxation		(7,798,947)	(394,115)
Taxation	9	96,409	(318,937)
Loss for the financial year		(7,702,538)	(713,052)

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The profit and loss account has been prepared on the basis that all operations are continuing operations.



# INSIDE SECURE UK LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

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	2016 £	2015 £
Loss for the year	(7,702,538)	(713,052)
Other comprehensive income	-	-
Total comprehensive income for the year	<u>(7,702,538)</u>	<u>(713,052)</u>

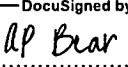
# INSIDE SECURE UK LIMITED

## BALANCE SHEET

AS AT 31 DECEMBER 2016

	Notes	2016 £	£	2015 £	£
<b>Fixed assets</b>					
Tangible assets	10	119,015		75,655	
Investments	11	1,660,000		7,254,006	
		<u>1,779,015</u>		<u>7,329,661</u>	
<b>Current assets</b>					
Debtors	13	2,235,863		2,485,816	
Cash at bank and in hand		168,472		107,405	
		<u>2,404,335</u>		<u>2,593,221</u>	
<b>Creditors: amounts falling due within one year</b>	14	<u>(9,388,667)</u>		<u>(7,425,661)</u>	
<b>Net current liabilities</b>		<u>(6,984,332)</u>		<u>(4,832,440)</u>	
<b>Total assets less current liabilities</b>		<u>(5,205,317)</u>		<u>2,497,221</u>	
<b>Provisions for liabilities</b>		<u>363,447</u>		<u>363,447</u>	
<b>Net (liabilities)/assets</b>		<u><u>(4,841,870)</u></u>		<u><u>2,860,668</u></u>	
<b>Capital and reserves</b>					
Called up share capital	18	1		1	
Profit and loss reserves		<u>(4,841,871)</u>		<u>2,860,667</u>	
<b>Total equity</b>		<u><u>(4,841,870)</u></u>		<u><u>2,860,668</u></u>	

The financial statements were approved by the board of directors and authorised for issue on 27 April 2017 and are signed on its behalf by:

DocuSigned by:  
  
 .....  
 D9A48A7C9B16473...  
 A P Bear  
 Director

Company Registration No. 03693883

# INSIDE SECURE UK LIMITED

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

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	Notes	Share capital £	Profit and loss reserves £	Total £
Balance at 1 January 2015		1	3,573,719	3,573,720
Year ended 31 December 2015:				
Loss and total comprehensive income for the year		-	(713,052)	(713,052)
Balance at 31 December 2015		1	2,860,667	2,860,668
Year ended 31 December 2016:				
Loss and total comprehensive income for the year		-	(7,702,538)	(7,702,538)
Balance at 31 December 2016		1	(4,841,871)	(4,841,870)

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# INSIDE SECURE UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 31 DECEMBER 2016**

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### **1 Accounting policies**

#### **Company information**

INSIDE Secure UK Limited is a private company limited by shares incorporated in England and Wales. The registered office is 20-22 Bedford Row, London, WC1R 4RS.

#### **1.1 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.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

#### **1.2 Going concern**

These financial statements are prepared on the going concern basis. The directors' have a reasonable expectation that the company will continue in operational existence for the foreseeable future.

The company is dependent for its working capital on funds provided to it by its parent undertaking. The company's ultimate parent undertaking, INSIDE Secure S.A., has indicated that for at least twelve months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company to pay its liabilities as they fall due and in particular will not seek repayment of the amounts currently made available.

The directors consider that this should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on the undertakings from INSIDE Secure S.A, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being appropriate.

#### **1.3 Turnover**

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

#### **1.4 Tangible fixed assets**

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

# INSIDE SECURE UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2016

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#### 1 Accounting policies

(Continued)

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold improvements	10% - 20% straight line
Fixtures, fittings & equipment	10% - 33.33% 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 credited or charged to profit or loss.

#### 1.5 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities 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.

#### 1.6 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### 1.7 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and 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.

# INSIDE SECURE UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2016

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#### 1 Accounting policies

(Continued)

##### 1.8 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### **Loans and receivables**

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

Interest is recognised by applying the effective interest rate, except for short-term 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. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal 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 are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

##### **Classification of financial liabilities**

Financial liabilities and equity instruments are classified 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.

# INSIDE SECURE UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2016

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#### 1 Accounting policies

(Continued)

##### **Basic financial liabilities**

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised 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. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

##### **Derecognition of financial liabilities**

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

#### 1.9 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

#### 1.10 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

##### **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

##### **Deferred tax**

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted. Deferred tax asset is provided in full on the grounds that it is certain the company will make sufficient taxable profits to allow the deferred tax asset to be utilised in the foreseeable future.

#### 1.11 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

#### 1.12 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

# INSIDE SECURE UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

### 1 Accounting policies

(Continued)

#### 1.13 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.

#### 1.14 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

### 2 Judgements and key sources of estimation uncertainty

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

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

### 3 Turnover and other revenue

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

	2016 £	2015 £
<b>Turnover</b>		
Income from group companies	2,090,902	2,441,526
Other income	-	89,860
	<u>2,090,902</u>	<u>2,531,386</u>

#### Turnover analysed by geographical market

	2016 £	2015 £
UK	-	89,860
Outside the UK	2,090,902	2,441,526
	<u>2,090,902</u>	<u>2,531,386</u>



# INSIDE SECURE UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

### 4 Operating loss

	2016 £	2015 £
Operating loss for the year is stated after charging/(crediting):		
Exchange losses	1,405,746	431,424
Fees payable to the company's auditor for the audit of the company's financial statements	14,444	16,164
Depreciation of owned tangible fixed assets	33,422	39,347
Loss on disposal of tangible fixed assets	14,820	-
Operating lease charges	162,955	52,192
	<u>          </u>	<u>          </u>

### 5 Directors' remuneration

	2016 £	2015 £
Remuneration for qualifying services	134,328	125,384
Company pension contributions to defined contribution schemes	5,037	5,037
Compensation for loss of office	-	297
	<u>          </u>	<u>          </u>
	139,365	130,718
	<u>          </u>	<u>          </u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2015 - 1).

### 6 Interest payable and similar expenses

	2016 £	2015 £
Other interest	154,019	127,933
	<u>          </u>	<u>          </u>
	154,019	127,933
	<u>          </u>	<u>          </u>

### 7 Amounts written off investments

	2016 £	2015 £
Amounts written off investments held at fair value	(5,594,006)	-
	<u>          </u>	<u>          </u>

# INSIDE SECURE UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2016

#### 8 Employees

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

	2016 Number	2015 Number
Research and development	18	25
Administration	5	6
	<u>23</u>	<u>31</u>

Their aggregate remuneration comprised:

	2016 £	2015 £
Wages and salaries	1,549,760	1,542,010
Social security costs	158,892	184,984
Pension costs	61,473	74,319
	<u>1,770,125</u>	<u>1,801,313</u>

#### 9 Taxation

	2016 £	2015 £
<b>Current tax</b>		
UK corporation tax on profits for the current period	(96,409)	(97,111)
Adjustments in respect of prior periods	-	149,595
Total current tax	<u>(96,409)</u>	<u>52,484</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	-	266,453
Total tax (credit)/charge	<u>(96,409)</u>	<u>318,937</u>

# INSIDE SECURE UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2016

#### 9 Taxation

(Continued)

The actual (credit)/charge for the year can be reconciled to the expected credit for the year based on the profit or loss and the standard rate of tax as follows:

	2016 £	2015 £
Loss before taxation	(7,798,947)	(394,115)
Expected tax credit based on the standard rate of corporation tax in the UK of 20.00% (2015: 20.00%)	(1,559,789)	(78,823)
Tax effect of expenses that are not deductible in determining taxable profit	1,149,622	25,592
Tax effect of income not taxable in determining taxable profit	(444)	-
Unutilised tax losses carried forward	497,124	103,666
Permanent capital allowances in excess of depreciation	(89,477)	(75,335)
Research and development tax credit	(96,409)	(72,211)
Under/(over) provided in prior years	-	149,595
Deferred tax adjustments in respect of prior years	-	266,453
Loss on sale of fixed asset	2,964	-
Taxation for the year	(96,409)	318,937

#### 10 Tangible fixed assets

	Leasehold improvements £	Fixtures, fittings & equipment £	Total £
<b>Cost</b>			
At 1 January 2016	-	1,003,761	1,003,761
Additions	92,579	7,833	100,412
Disposals	-	(523,666)	(523,666)
At 31 December 2016	92,579	487,928	580,507
<b>Depreciation and impairment</b>			
At 1 January 2016	-	928,106	928,106
Depreciation charged in the year	7,715	25,707	33,422
Eliminated in respect of disposals	-	(500,036)	(500,036)
At 31 December 2016	7,715	453,777	461,492
<b>Carrying amount</b>			
At 31 December 2016	84,864	34,151	119,015
At 31 December 2015	-	75,655	75,655

# INSIDE SECURE UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

### 11 Fixed asset investments

	Notes	2016 £	2015 £
Investments in subsidiaries	12	1,660,000	7,254,006

The company has not designated any financial assets that are not classified as financial assets at fair value through profit or loss.

#### Movements in fixed asset investments

	Shares in group undertakings £
<b>Cost or valuation</b>	
At 1 January 2016 & 31 December 2016	7,254,006
<b>Impairment</b>	
At 1 January 2016	-
Impairment losses	5,594,006
At 31 December 2016	5,594,006
<b>Carrying amount</b>	
At 31 December 2016	1,660,000
At 31 December 2015	7,254,006

### 12 Subsidiaries

Details of the company's subsidiaries at 31 December 2016 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct Indirect
Metaforic UK Limited	Scotland	Software protection	Ordinary share	100.00

The aggregate capital and reserves and the result for the year of the subsidiaries noted above was as follows:

Name of undertaking	Profit/(Loss) £	Capital and Reserves £
Metaforic UK Limited	168,616	(963,217)

The investment in the company's only subsidiary is stated at cost less impairment.

# INSIDE SECURE UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

### 13 Debtors

	2016 £	2015 £
<b>Amounts falling due within one year:</b>		
Trade debtors	-	5,803
Corporation tax recoverable	193,520	97,111
Amount due from parent undertaking	1,332,812	1,752,255
Amounts due from subsidiary undertakings	620,306	521,444
Other debtors	15,166	10,037
Prepayments and accrued income	74,059	99,166
	<u>2,235,863</u>	<u>2,485,816</u>

Trade debtors disclosed above are measured at amortised cost.

### 14 Creditors: amounts falling due within one year

	Notes	2016 £	2015 £
Other borrowings	15	8,760,523	7,074,313
Trade creditors		52,923	43,533
Other taxation and social security		31,370	45,873
Accruals and deferred income		543,851	261,942
		<u>9,388,667</u>	<u>7,425,661</u>

### 15 Loans and overdrafts

	2016 £	2015 £
Loans from group undertakings	<u>8,760,523</u>	<u>7,074,313</u>
Payable within one year	<u>8,760,523</u>	<u>7,074,313</u>

### 16 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities 2016 £	Liabilities 2015 £
<b>Balances:</b>		
ACAs	<u>(363,447)</u>	<u>(363,447)</u>

There were no deferred tax movements in the year.

# INSIDE SECURE UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

### 16 Deferred taxation

(Continued)

Deferred tax is not recognised in respect of tax losses of £9,390,074 (2014: £1,360,618) as it is not probable that they will be recovered against future taxable profits.

### 17 Retirement benefit schemes

	2016 £	2015 £
<b>Defined contribution schemes</b>		
Charge to profit or loss in respect of defined contribution schemes	61,473	74,319

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

### 18 Share capital

	2016 £	2015 £
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
1 Ordinary of £1 each	1	1

### 19 Operating lease commitments

#### Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2016 £	2015 £
Within one year	62,760	62,828
Between two and five years	78,450	136,589
	141,210	199,417

### 20 Controlling party

The immediate and ultimate parent company is INSIDE Secure S.A., a company registered in France.

INSIDE Secure S.A. prepares consolidated financial statements and copies can be obtained from its registered office, Artparc Bachasson, Rue de la carrier de Bacxhasson, Meyreuil, 13590, France.