

IRISGUARD UK LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016



IRISGUARD UK LIMITED

COMPANY INFORMATION

Directors	Mr R Kavar Mr I Malhas
Company secretary	Mrs E Holland
Registered number	05164220
Registered office	2nd Floor Stratus House Emperor Way Exeter Business Park Exeter EX1 3QS
Auditor	Bishop Fleming LLP Chartered Accountants & Statutory Auditors 2nd Floor Stratus House Emperor Way Exeter Business Park Exeter EX1 3QS

IRISGUARD UK LIMITED

CONTENTS

	Page
Statement of Financial Position	1
Notes to the Financial Statements	2 - 15

IRISGUARD UK LIMITED
REGISTERED NUMBER:05164220

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	2016 £	2015 £
Fixed assets			
Intangible assets	7	2,666,192	2,340,589
Tangible assets	8	95,272	71,514
		<u>2,761,464</u>	<u>2,412,103</u>
Current assets			
Stocks	9	588,661	517,759
Debtors: amounts falling due within one year	10	56,383	36,778
Cash at bank and in hand	11	118,067	68,084
		<u>763,111</u>	<u>622,621</u>
Creditors: amounts falling due within one year	12	(83,359)	(129,587)
Net current assets		<u>679,752</u>	<u>493,034</u>
Total assets less current liabilities		<u>3,441,216</u>	<u>2,905,137</u>
Net assets		<u>3,441,216</u>	<u>2,905,137</u>
Capital and reserves			
Called up share capital	14	3,919,689	3,339,400
Profit and loss account	15	(478,473)	(434,263)
		<u>3,441,216</u>	<u>2,905,137</u>

The Company's financial statements have been prepared in accordance with the provisions applicable to entities subject to the small companies regime.

The Company has opted not to file the statement of income and retained earnings in accordance with provisions applicable to companies subject to the small companies regime.

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

Mr I Malhas
Director



Date: 19th JUNE, 2017

The notes on pages 2 to 15 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

1. GENERAL INFORMATION

The company is limited by shares, incorporated in England within the United Kingdom. The address of the registered office is given in the company information page of these financial statements.

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

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

Information on the impact of first-time adoption of FRS 101 is given in note 20.

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).

First time application of FRS 100 and FRS 101

In the current year the Company has adopted FRS 100 and FRS 101. In previous years the financial statements were prepared in accordance with applicable UK accounting standards.

This change in the basis of preparation has materially altered the recognition and measurement requirements previously applied in accordance with UK GAAP. An explanation of the impact of the adoption of FRS 100 and FRS 101 for the first time is included in the note 20.

There have been no other material amendments to the disclosure requirements previously applied in accordance with UK GAAP.

The following principal accounting policies have been applied:

2.2 FINANCIAL REPORTING STANDARD 101 - REDUCED DISCLOSURE EXEMPTIONS

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 of IAS 7 Statement of Cash Flows
- the requirements of IFRS 24 - Related Party Transactions

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2. ACCOUNTING POLICIES (continued)

2.3 REVENUE

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured. Turnover 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 turnover is recognised:

Sale of goods

Turnover 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 turnover 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.

2.4 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.

The estimated useful lives range as follows:

Development expenditure	-	20	years straight line
-------------------------	---	----	---------------------

2.5 RESEARCH AND DEVELOPMENT

The company's principal activity is as an iris recognition technology research and development unit for the IrisGuard group. Whilst the company generates some income of its own from sales to its parent, it largely is dependent on its parent for the funding of that development activity.

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. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which is 20 years.

2.6 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2. ACCOUNTING POLICIES (continued)

2.6 TANGIBLE FIXED ASSETS (CONTINUED)

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:

Plant and machinery	-	20%
Fixtures and fittings	-	20%
Office equipment	-	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.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2.7 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. Work in progress and finished goods include labour and attributable overheads.

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.

2.8 DEBTORS

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

2.9 CASH AND CASH EQUIVALENTS

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

2.10 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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2. ACCOUNTING POLICIES (continued)

2.10 FINANCIAL INSTRUMENTS (CONTINUED)

This category comprises only in-the-money derivatives. These are carried in the Statement of Financial Position at fair value with changes in fair value recognised in the Statement of Comprehensive Income.

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 administrative expenses in the Statement of Comprehensive Income. 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.

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 Statement of Financial Position.

2.11 CREDITORS

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2. ACCOUNTING POLICIES (continued)

2.12 FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

2.13 TAXATION

Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable the deductible temporary difference will unwind and that there will be sufficient taxable profits against which to utilise it.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement except when it relates to items charged or credited directly to equity in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and that they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

**3. JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION
UNCERTAINTY**

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.

Key Accounting Estimates and Assumptions

The preparation of the financial statements required management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. Management do not consider there to be estimates or assumptions that pose significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Intangible Assets:

At each balance sheet date, the Company reviews the carrying amounts of its 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 to determine the extent of the impairment loss (if any).

4. AUDITORS' REMUNERATION

The company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Company:

	2016 £	2015 £
Fees for the audit of the Company	7,675	7,675
	<u>7,675</u>	<u>7,675</u>

The *Company* has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent *Company*.

5. EMPLOYEES

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

	2016 No.	2015 No.
Employees	6	4
	<u>6</u>	<u>4</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

6. INTANGIBLE ASSETS

	Develop- ment £
COST	
At 1 January 2016	2,787,261
Additions - internal	418,483
	<hr/>
At 31 December 2016	3,205,744
	<hr/>
AMORTISATION	
At 1 January 2016	446,672
Charge for the year	92,880
	<hr/>
At 31 December 2016	539,552
	<hr/>
NET BOOK VALUE	
	<hr/>
At 31 December 2016	2,666,192
	<hr/>
At 31 December 2015	2,340,589
	<hr/>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**
7. TANGIBLE FIXED ASSETS

	Plant and machinery £	Fixtures and fittings £	Office equipment £	Total £
COST OR VALUATION				
At 1 January 2016	320,540	13,407	49,696	383,643
Additions	55,014	3,268	7,600	65,882
Disposals	-	-	(137)	(137)
At 31 December 2016	375,554	16,675	57,159	449,388
DEPRECIATION				
At 1 January 2016	253,821	12,728	45,580	312,129
Charge for the period on owned assets	37,140	939	4,019	42,098
Disposals	-	-	(111)	(111)
At 31 December 2016	290,961	13,667	49,488	354,116
NET BOOK VALUE				
At 31 December 2016	84,593	3,008	7,671	95,272
At 31 December 2015	66,719	679	4,116	71,514

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**
8. STOCKS

	2016 £	2015 £
Raw materials and consumables	588,661	517,759
	<u>588,661</u>	<u>517,759</u>

9. DEBTORS

	2016 £	2015 £
Prepayments and accrued income	18,072	14,416
Other debtors	38,311	22,362
	<u>56,383</u>	<u>36,778</u>

10. CASH AND CASH EQUIVALENTS

	2016 £	2015 £
Cash at bank and in hand	118,067	68,084
	<u>118,067</u>	<u>68,084</u>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £	2015 £
Trade creditors	61,126	30,909
Amounts owed to group undertakings	-	82,893
Other taxation and social security	6,383	5,488
Other creditors	5,950	-
Accruals and deferred income	9,900	10,297
	<u>83,359</u>	<u>129,587</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

12. FINANCIAL INSTRUMENTS

	2016	2015
	£	£
FINANCIAL ASSETS		
Financial assets measured at fair value through profit or loss	118,067	68,084
	<u>118,067</u>	<u>68,084</u>

Financial assets measured at fair value through profit or loss comprise cash at bank and in hand.

13. SHARE CAPITAL

	2016	2015
	£	£
SHARES CLASSIFIED AS EQUITY		
AUTHORISED, ALLOTTED, CALLED UP AND FULLY PAID		
3,919,689 (2015: 3,339,400) Ordinary share capital shares of £1 each	<u>3,919,689</u>	<u>3,339,400</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**
Shares Issued

During the year, the following Ordinary £1 shares were issued at par and were fully paid on the date stated:-

	2016 £
20 January 2016	20,661
3 February 2016	33,771
22 February 2016	34,642
18 March 2016	16,912
19 April 2016	37,444
1 June 2016	16,965
27 June 2016	36,798
4 July 2016	50,000
11 July 2016	25,000
12 July 2016	25,000
25 July 2016	44,702
22 August 2016	56,085
22 September 2016	37,430
25 October 2016	60,685
25 November 2016	23,573
23 December 2016	60,621
	<hr/>
	580,289

14. RESERVES**Profit and loss account**

This balance represents the distributable reserves of the company.

15. PENSION COMMITMENTS

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. There are no pension cost shown in these financial statements as a result of these costs being capitalised under the provisions of IAS 38 in respect of development expenditure. Contributions payable by the Company to the fund and amounted to £8,775 (2015: £8,200). Contributions totalling £733 (2015: £725) were payable to the fund at the reporting date

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

16. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2016 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2016 £	2015 £
Not later than 1 year	24,812	-
Later than 1 year and not later than 5 years	31,015	-
	<u>55,827</u>	<u>-</u>

17. CONTROLLING PARTY

The parent company and ultimate controlling company is IrisGuard Inc, a company registered in the Cayman Islands. No one individual or entity controls IrisGuard Inc. Any person requiring consolidated accounts of the parent company can request them from IrisGuard Inc, 4 Shamseh St., P. O. Box: 831004, Amman 11183, Jordan.

18. AUDIT

These financial statements have been audited by Bishop Fleming Chartered Accountants & Statutory Auditors, with an unqualified audit opinion being issued. The audit report was signed by David Savill as Senior Statutory Auditor.

In accordance with the provisions applicable to companies subject to the small companies' regime and s444 of the Companies Act 2006, the audit report has not been filed.

IRISGUARD UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

19. FIRST TIME ADOPTION OF FRS 101

The Company transitioned to FRS 101 from previously extant UK GAAP as at 1 January 2015. The impact of the transition to FRS 101 is as follows:

	As previously stated 1 January 2015 £	Effect of transition 1 January 2015 £	FRS 101 (as restated) 1 January 2015 £	As previously stated 31 December 2015 £	Effect of transition 31 December 2015 £	FRS 101 (as restated) 31 December 2015 £
Note						
Fixed assets	44,673	2,032,543	2,077,216	71,514	2,340,589	2,412,103
Current assets	584,175	-	584,175	622,621	-	622,621
Creditors: amounts falling due within one year	(283,095)	-	(283,095)	(129,587)	-	(129,587)
NET CURRENT ASSETS	301,080	-	301,080	493,034	-	493,034
TOTAL ASSETS LESS CURRENT LIABILITIES	345,753	2,032,543	2,378,296	564,548	2,340,589	2,905,137
NET ASSETS	345,753	2,032,543	2,378,296	564,548	2,340,589	2,905,137
Capital and reserves	345,753	2,032,543	2,378,296	564,548	2,340,589	2,905,137

