

IRISGUARD UK LIMITED

Annual Report and Financial Statements

For the year ended 31 December 2021

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IRISGUARD UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2021

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IRISGUARD UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2021

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

R Kavar
I Malhas

COMPANY NUMBER

05164220

REGISTERED OFFICE

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

AUDITOR

Grant Thornton UK LLP
Victoria House
199 Avebury Boulevard
Milton Keynes
MK9 1AU

IRISGUARD UK LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2021.

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 customer solutions in the Middle East, the company will not be impacted significantly by the UK exit from the EU.

REVIEW OF THE BUSINESS

During the year, the company recorded a net operating loss of £549,878 (2020: £642,220). The company continues to invest heavily in research and development in order to further develop and advance its' customer solutions. The directors are pleased with the reduction in losses as the business moves towards being profit generative.

The Directors have, at the time the financial statements were approved, a reasonable expectation that the group and company will have adequate resources to continue in operational existence for the foreseeable future.

As at 31 December 2021 the company had financial resources, represented by a net asset position of £1,103,413 (2020: £1,672,900) including an overall cash position of £344,132 (2020: £211,801).

When considering whether the going concern basis of preparing the financial statements is appropriate, the Directors have considered the current cash position, available financing facilities, its long-term contracts with customers, future pipeline and the business forecasts and investment plans. Subsequent to the year-end IrisGuard Jordan LLC, a subsidiary of IrisGuard UK Limited, secured a bank overdraft facility of \$959,000 and its parent undertaking, IrisGuard Holdings Limited, commenced a funding round to raise additional capital to accelerate the Group's growth plans.

As a consequence, the directors believe that the group is well placed to manage business risks successfully. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. However, as explained in note 2 to the financial statements, under certain downside scenarios, further funding will be required in the period to December 2023. Discussions in relation to further funding are ongoing but not yet finalised. The absence of such secured additional funding constitutes a material uncertainty in relation to the going concern basis of preparation of the financial statements.

OVERSEAS BRANCH

The company has a branch based in Amman, Jordan.

DIRECTORS

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

R Kwar
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.

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 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; 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.

The directors confirm that:

- so far as each director is 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 in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

AUDITOR

Grant Thornton 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: 24th November 2022

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

Opinion

We have audited the financial statements of IrisGuard UK Limited (the 'company') for the year ended 31 December 2021, which comprise the Income Statement, Balance Sheet, Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 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.

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 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.

Material uncertainty related to going concern

We draw attention to note 2 in the financial statements, which indicates that, whilst the parent undertaking has secured additional funding since the yearend which is expected to support the business until at least December 2023, in certain downside scenarios, additional funding would be required. This, along with the other matters as set forth in note 2 indicates that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our responsibilities

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

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 this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the 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.

Matter on which we are required to report under the Companies Act 2006

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 material misstatements in the directors' report.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, 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' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors for the financial statements

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.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (United Kingdom Generally Accepted Accounting Practice and Companies Act 2006). We did not identify any matters relating to non-compliance with laws and regulations or relating to fraud.
- We made enquiries of management concerning the company's policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations;
 - the detection and response to the risks of fraud; and
 - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We assessed the susceptibility of the financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
 - journal entries that increased revenues or that reclassified costs from the income statement to the balance sheet; and
 - potential management bias in determining accounting estimates.

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

- Our audit procedures involved:
 - gaining an understanding of the company's operations, including the nature of its revenue sources, products and services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement;
 - assessing the design effectiveness of controls management has in place to prevent and detect fraud and the adequacy of procedures for authorisation of transactions and internal review procedures;
 - challenging assumptions and judgements made by management where significant accounting estimates arise; and
 - journal entry testing, with a focus on specific journals posing a heightened risk of material misstatement through fraud or error in and of themselves, based on risk factors identified.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery, or intention misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation; and
 - understanding the legal and regulatory requirements specific to the company.

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.

Charlotte Anderson
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Milton Keynes
24th November 2022

IRISGUARD UK LIMITED

STATEMENT OF COMPREHENSIVE INCOME For the year ended 31 December 2021

	Note	2021 £	2020 £
REVENUE	4	1,789,206	2,141,184
Cost of sales		(488,043)	(470,518)
GROSS PROFIT		1,301,163	1,670,666
LESS: OVERHEADS			
Other operating cost, excluding depreciation and amortisation		(1,696,913)	(2,150,412)
Other operating costs: depreciation and amortization		(154,128)	(162,474)
OPERATING LOSS	5	(549,878)	(642,220)
Other income	6	869	1,523,732
Interest payable and expenses	9	(10,152)	(7,951)
(LOSS)/PROFIT BEFORE TAXATION		(559,161)	873,561
Tax on profit/(loss)	10	74,926	75,997
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(484,235)	949,558
OTHER TOTAL COMPREHENSIVE INCOME			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation differences on foreign operations		(85,252)	(206,862)
Net other total comprehensive profit/(loss)		(85,252)	(206,862)
Total comprehensive loss for the year		(569,487)	742,696

All activities derive from continuing operations.

The notes on pages 11 to 24 form part of these financial statements.

IRISGUARD UK LIMITED

BALANCE SHEET As at 31 December 2021

	Note	2021 £	2020 £
FIXED ASSETS			
Intangible assets	11	45,666	59,816
Tangible assets	12	273,403	529,086
Right of use assets	14	118,620	58,963
Investments	13	5,822	5,822
		<u>443,511</u>	<u>653,687</u>
CURRENT ASSETS			
Stocks	15	877,337	987,048
Debtors	16	172,833	517,324
Cash at bank and in hand		344,132	211,801
		<u>1,394,302</u>	<u>1,716,173</u>
CURRENT LIABILITIES			
Trade and other payables	17	(649,732)	(655,341)
		<u>744,570</u>	<u>1,060,833</u>
NET CURRENT ASSETS			
		<u>744,570</u>	<u>1,060,833</u>
NON-CURRENT LIABILITIES	17	(84,668)	(41,619)
		<u>(734,400)</u>	<u>(696,960)</u>
TOTAL LIABILITIES			
		<u>(734,400)</u>	<u>(696,960)</u>
NET ASSETS		<u>1,103,413</u>	<u>1,672,900</u>
CAPITAL AND RESERVES			
Called up share capital	18	8,732,337	8,732,337
Currency translation reserve	18	(161,085)	(75,833)
Profit and loss account		(7,467,839)	(6,983,604)
		<u>1,103,413</u>	<u>1,672,900</u>
SHAREHOLDERS' FUNDS		<u>1,103,413</u>	<u>1,672,900</u>

The notes on pages 11 to 24 form part of these financial statements.

The financial statements of IrisGuard UK Limited, registered number 05164220, were approved by the Board of Directors and authorised for issue on 24th November 2022

Signed on behalf of the Board of Directors

I Malhas
Director



IRISGUARD UK LIMITED

STATEMENT OF CHANGES IN EQUITY For the year ended 31 December 2021

	Called up share capital £	Currency translation reserve £	Profit and loss account £	Total £
At 1 January 2020	8,732,337	131,029	(7,933,162)	930,204
Loss for the financial year	-	-	949,558	949,558
Other comprehensive income for the period	-	(206,862)	-	(206,862)
At 31 December 2020	8,732,337	(75,833)	(6,983,604)	1,672,900
Loss for the financial year	-	-	(484,235)	(484,235)
Other comprehensive income for the period	-	(85,252)	-	(85,252)
At 31 December 2021	<u>8,732,337</u>	<u>(161,085)</u>	<u>(7,467,839)</u>	<u>1,103,413</u>

The notes on pages 11 to 24 form part of these financial statements.

IRISGUARD UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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 21.

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).

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 United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice) 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.

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

IRISGUARD UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

2. ACCOUNTING POLICIES (continued)

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 prepared cash flow forecasts including events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The Directors have, at the time the financial statements were approved, a reasonable expectation that the group and company will have adequate resources to continue in operational existence for the foreseeable future.

As at 31 December 2021 the company had financial resources, represented by a net asset position of £1,103,413 (2020: £1,672,900) including an overall cash position of £344,132 (2020: £211,801).

When considering whether the going concern basis of preparing the financial statements is appropriate, the Directors have considered the cash position, available financing facilities, its long-term contracts with customers, future pipeline and the business forecasts and investment plans. Subsequent to the year-end IrisGuard Jordan LLC, a subsidiary of IrisGuard UK Limited, secured a bank overdraft facility of \$959,000 and its parent undertaking, IrisGuard Holdings Limited, secured an additional bank loan of \$705,000 and commenced a funding round to raise additional capital to accelerate the Group's growth plans. Based on the secured additional facilities, the directors have prepared cash flow forecasts for the period to December 2023. These are based on consistent levels of activity as those achieved historically with some additional revenue contracts anticipated in 2023. Based on the current funding levels secured, the group and the company is forecasted to be able to meet its liabilities as they fall due over the forecast period. However, the forecasted revenues and especially those related to anticipated new contracts cannot be guaranteed. As such, certain downside scenarios would require additional funding for the group to continue as a going concern and this is the basis of the material uncertainty included within the financial statements.

The directors believe that the group is well placed to manage business risks successfully and have mitigations in place. However, the conditions outlined result in a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern.

Revenue

In accordance with IFRS 15, turnover is measured by reference to the fair value of consideration received or receivable by the company, excluding value added tax, in exchange for transferring the promised goods or services to the customer. The consideration is allocated to each separate performance obligation that is identified in a sales contract, based on stand-alone selling prices. The company has three main streams of revenue which have been recognised as follows:

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.

IRISGUARD UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

2. ACCOUNTING POLICIES (continued)

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 and has accordingly been selected as the reporting currency of the company. The assets and liabilities of operations of the branch in Jordan are translated from Jordanian dinar 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.

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.

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. Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

During the year £981,284 (2020: £975,018) of research and development was recognised as an expense.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

2. ACCOUNTING POLICIES (continued)

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.

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.

Leasing

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.

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.

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.

Variable rents that do not depend on an index or rate are not included in the measurement of 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 in the consolidated statement of comprehensive income.

Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

2. ACCOUNTING POLICIES (continued)

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

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs.

Financial assets are classified into the following specified categories: amortised cost, financial assets 'at fair value through profit or loss' (FVTPL) and financial assets 'at fair value through other comprehensive income' (FVOCI). The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Provision against trade debtors represents the expected lifetime credit losses for all trade receivables. The expected lifetime credit loss reflects assumptions on the aging of overdue debts that may become unrecoverable, based upon historic observed default rates, adjusted for current economic environment.

Financial liabilities

The company classifies all of its financial liabilities as liabilities 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. Current tax includes claims for research and development expenditure in accordance with the UK Incentive Schemes.

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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

2. ACCOUNTING POLICIES (continued)

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.

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.

Functional currency

The companies transactions are undertaken primarily in Sterling, US dollars and Jordanian Dinar. The directors consider the functional currency of the company to be sterling, given the Head office is based in the UK, most of the operational Directors are based in the UK and much of the future cost base of the company is expected to emanate from the UK in sterling.

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.

IRISGUARD UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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:

	2021 £	2020 £
UK	-	-
Rest of the World	1,789,206	2,141,184
	<u>1,789,206</u>	<u>2,141,184</u>

The basis of recognition of revenue is as follows:

	2021 £	2020 £
At a point in time	221,823	199,993
Over the contract period	1,567,383	1,941,191
	<u>1,789,206</u>	<u>2,141,184</u>

Included in revenues arising in 2021 are revenues of £1,346,461 (2020: £1,631,183) that arose from sales to the company's largest customers. These customers comprise 81% (2020: 76%) of total revenues combined and an excess of 10% of revenues individually.

2021 revenues include £nil from income deferred at the beginning of the period (2020: £nil) relating to performance obligations satisfied overtime.

5. OPERATING LOSS

Operating loss is after charging/(crediting):

	2021 £	2020 £
Depreciation of owned fixed tangible assets (included in operating costs)	90,469	102,394
Depreciation of owned fixed tangible assets (included in cost of sales)	176,683	162,753
Depreciation of right of use assets	49,214	45,272
Amortisation of intangible fixed assets	14,445	14,807
Research and development costs (including relevant salaries)	981,284	975,018
Net loss/(profit) on foreign currency translation	1,050	30,848
Cost of stock recognised as an expense	311,360	307,765
Operating lease costs:		
Land and buildings	5,843	5,845
	<u></u>	<u></u>

IRISGUARD UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2021

6. OTHER INCOME

	2021 £	2020 £
Release of provision against inter-company receivable	-	1,523,732
Other	869	-
	<u>869</u>	<u>1,532,732</u>

7. AUDITOR'S REMUNERATION

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

	2021, £	2020 £
Fees for the audit of the company	35,000	35,000

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.

8. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2021 £	2020 £
Salaries	1,095,331	1,269,195
Social security costs	77,709	77,096
Benefits in kind	43,157	55,698
Other pension costs (note 19)	29,792	27,785
	<u>1,245,989</u>	<u>1,429,774</u>

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

	2021 No	2020 No
General and administration	8	8
Sales and marketing	9	10
Software, research and development	7	7
	<u>24</u>	<u>25</u>
	£	£
Directors' remuneration	<u>243,754</u>	<u>209,990</u>
Highest paid director	<u>243,754</u>	<u>209,990</u>

9. INTEREST PAYABLE AND SIMILAR EXPENSES

	2021 £	2020 £
Interest payable on lease liabilities	<u>10,152</u>	<u>7,951</u>

IRISGUARD UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

10. TAXATION ON PROFIT/(LOSS)

	2021 £	2020 £
Current taxation	74,926	75,997
Deferred taxation (note 22)	-	-
Total	74,926	75,997

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 19% (2019: 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:

	2021 £	2020 £
Profit/(loss) before tax	(559,161)	873,561
Profit/(loss) at standard rate of corporation tax of 19% (2020 - 19%)	(106,241)	(164,981)
Effects of:		
Expenses not deductible for tax purposes and other	4,044	18,376
Depreciation in excess of capital allowances	44,402	-
Income not chargeable for tax purposes	-	(289,509)
Deferred tax credit not recognized	57,795	105,156
Adjustments to tax in respect of previous periods - R&D	74,926	75,997
Expenditure credit	-	-
Current tax income for year	74,926	75,997

During the year, the applicable rate of corporation tax was 19% which is expected to remain until 1 April 2023. From 1 April 2023, the main rate of corporation tax will increase to 25% applying to taxable profits over £250,000.

IRISGUARD UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2021

11. INTANGIBLE FIXED ASSETS

	Intellectual property and software £
Cost	
At 1 January 2021	248,650
Additions	-
Disposals	-
Exchange	2,148
At 31 December 2021	250,798
Amortisation	
At 1 January 2021	188,834
Charge for year	14,445
Disposals	-
Exchange	1,853
At 31 December 2021	205,132
Net book value	
At 31 December 2021	45,666
At 31 December 2020	59,816

Intellectual property is amortised over 10 years.

Software is amortised over 5 years.

12. TANGIBLE FIXED ASSETS

	Equipment at customer sites £	Plant and machinery £	Fixtures and fittings £	Office equipment £	Motor vehicles £	Total £
Cost						
At 1 January 2021	499,256	605,698	94,706	312,645	49,550	1,561,855
Additions	-	4,300	2,642	4,149	-	11,091
Disposals	-	-	-	-	-	-
Exchange	-	-	669	1,958	466	3,093
At 31 December 2021	499,256	609,998	98,017	318,752	50,016	1,576,039
Depreciation						
At 1 January 2021	214,410	474,935	59,755	259,720	23,949	1,032,769
Charge for the year	176,683	48,048	11,680	20,871	9,870	267,152
Disposals	-	-	-	-	-	-
Exchange	-	-	511	1,846	358	2,715
At 31 December 2021	391,093	522,983	71,946	282,437	34,177	1,302,636
Net book value						
At 31 December 2021	108,163	87,015	26,071	36,315	15,839	273,403
At 31 December 2020	284,846	130,763	34,951	52,925	25,601	529,086

IRISGUARD UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

13. FIXED ASSET INVESTMENTS

	Investment in subsidiary company £
Cost	
At 1 January 2021 and 31 December 2021	5,822

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.

14. RIGHT OF USE ASSETS

	£
Cost	
At 1 January 2021	198,714
Lease expired	(124,676)
Additions	108,616
Exchange	4,364
At 31 December 2021	187,018
Accumulated depreciation	
At 1 January 2021	139,751
Lease expired	(124,676)
Charge for the year	49,214
Exchange	4,109
At 31 December 2021	68,398
Net book value	
At 31 December 2021	118,620
At 31 December 2020	58,963

Right of use assets relate to four rented office properties, three with end date of 28 April 2024 and one with end date of 30 April 2024.

15. STOCKS

	2021 £	2020 £
Finished goods	445,673	466,918
Work in progress	-	11,061
Raw materials and consumables	431,664	509,069
	877,337	987,048

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

IRISGUARD UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2021

16. DEBTORS

	2021 £	2020 £
Amounts falling due within one year:		
Trade debtors	95,472	369,446
Other debtors	28,991	25,440
Employee receivables	6,688	6,767
Amounts owed by fellow group companies	-	-
Prepayments	41,682	39,674
Tax credit receivable	-	75,997
	<u>172,833</u>	<u>517,324</u>

The company applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade debtors as these items do not have a significant financing component.

The expected loss rates are based on historical credit losses adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. Trade debtors are written off (i.e. derecognised) when there is no reasonable expectation of recovery.

The expected credit loss is expected to be immaterial.

17. TRADE AND OTHER PAYABLES

	2021 £	2020 £
Trade creditors	58,320	66,493
Amounts owed to subsidiary undertaking	154,548	177,411
Amounts owed to parent undertaking	269,834	267,395
Other taxation and social security	17,982	15,014
Other creditors	67,498	34,618
Lease liabilities	55,042	25,374
Accruals and deferred income	26,508	69,036
	<u>649,732</u>	<u>655,341</u>
Non-current liabilities		
Lease liabilities	<u>84,668</u>	<u>41,619</u>

IRISGUARD UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

18. SHARE CAPITAL AND RESERVES

	2021 £	2020 £
Authorised, allotted, called up and fully paid		
8,732,337 (2020 - 8,732,337) ordinary shares of £1 each	8,732,337	8,732,337
Other reserves		
Currency Translation reserve	(161,085)	(75,833)

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.

19. 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 £29,791 (2020: £27,785). Contributions totalling £3,661 (2020: £3,604) were payable to the fund at the reporting date.

20. LEASES

The lease liabilities are secured by the underlying assets. The undiscounted maturity analysis of lease liabilities at 30 November 2021 is as follows:

	Within 1 year	Within 1-5 years	Total
Lease payments	64,076	88,845	152,921
Finance charges	(9,034)	(4,177)	(13,211)
Net present value at 31 December 2021	55,042	84,668	139,710

	Within 1 year	Within 1-5 years	Total
Lease payments	29,715	45,789	75,504
Finance charges	(4,341)	(4,170)	(8,511)
Net present value at 31 December 2020	25,374	41,619	66,993

The company has elected not to recognise a right of use asset for short-term leases (leases of expected remaining term of 12 months or less). Payments made under such leases are expensed on a straight-line basis (note 5).

IRISGUARD UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

21. CONTROLLING PARTY

The immediate and 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 parent undertaking.

22. DEFERRED TAX

The company has an unprovided deferred tax asset of £1,748,110 (2020 - £1,226,044) in respect of tax losses of £6,992,437 (2020 - £6,878,036).

23. RELATED PARTY TRANSACTIONS

During the year the company purchased £19,255 (2020 - £29,119) of medical insurance from NatHealth, a company of which I Malhas, and R Kavar are directors.