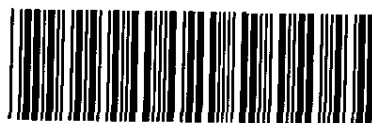


**Company Registration No. 08877014 (England and Wales)**

**LUCIDEON GROUP LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 DECEMBER 2021**

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# LUCIDEON GROUP LIMITED

## COMPANY INFORMATION

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|                          |   |
|--------------------------|---|
| <b>Directors</b>         | Mr A Kinsella<br>Dr GJ Edgell   |
| <b>Company number</b>    | 08877014  |
| <b>Registered office</b> | Queens Road<br>Penkhull<br>Stoke-on-Trent<br>Staffordshire<br>ST4 7LQ   |
| <b>Auditor</b>           | RSM UK Audit LLP<br>Chartered Accountants<br>Festival Way<br>Festival Park<br>Stoke on Trent<br>ST1 5BB   |
| <b>Bankers</b>           | National Westminster Bank Plc<br>Regent Road<br>Hanley<br>Stoke on Trent<br>Staffordshire<br>ST1 3SJ<br><br>HSBC Bank Plc<br>Building 2<br>Etruria Office Village<br>Forge Lane<br>Festival Park<br>Stoke-on-Trent<br>ST1 5RQ |
| <b>Solicitors</b>        | Weightmans LLP<br>No.1 Spinningfields<br>Hardman Square<br>Manchester<br>M3 3EB   |

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# LUCIDEON GROUP LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2021

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The directors have pleasure in submitting their Strategic Report for Lucideon Group Limited for the year ended 31 December 2021.

#### Strategy

The Group continues to develop under its strategic plan, focusing on organic growth in our chosen markets, supplemented by the addition of higher value new services such as computational materials development. Our growth plans center on developing technologies and intellectual property that will have significant future benefit for our clients in their businesses. We have continued to invest heavily in these technologies and those investments continue to bear fruit in key industries. Cash generated from operations has continued to be strategically re-invested into these key future development opportunities. The objective remains to secure the long-term sustainability of the Group.

#### Business review

2021 revenues saw strong increase post the 2020 pandemic lockdowns, though were stifled by further national and international travel limitations. We saw a decent return to profitability across the Group, despite some increased costs relating to interims and IT implementations. We continue to invest in equipment and people to deliver further organic growth. The business remains committed to the development of this investment for the future. We continue to create growth from new and developing services and products across the different capabilities, and through the acquisition of more clients for those new services. The combined strategy of sourcing and attracting new technical talent alongside our focus on adding the requisite leadership and management skills continues.

Cash balances held by the Group at the end of the final period amounted to £3.33m compared to £7.04m held at the end of the previous period. Part of the reduction is due to a repayment of £3.5m CBILS Loan during 2021. The investment and operating cash flow represent the strong commitment to investment in expanded facilities and equipment in the USA in particular and for the future in the wider Group.

The liability in respect of net obligations under finance leases and hire purchase contracts is secured on the related assets. Other creditors includes the amounts outstanding on Company Funded Pooled Research (CFPR), discounted at the balance sheet date in accordance with the Group's accounting policies. The amount of Company Funded Pooled Research is assessed each year based on the projects that have been approved and scheduled in conjunction with the previous members of the business, in 2021 the full obligation of Company Funded Pooled Research was delivered as of December 2021.

Revenue has increased by 17% from £16.9m to £19.8m which is mainly driven by trade returning to pre-pandemic levels, as well as a one-off license fee sale. The underlying cost base has also increased albeit not in line with revenue as such this has contributed to the £1.9m increase in profit before taxation from £128k to £2.1m. This is also partly due to an increase of £288k in other income relating to a RDEC tax claims made in the year. Staff costs have increased due to the increased focus on building the work force, with staff numbers increasing from 233 to 259 this year. Other operating income has decreased due to a reduction in the Covid Job Retention Scheme grant claimed as a result of the business returning to pre-pandemic trade levels brought forward this decrease offset by an increase in CFPR income and the RDEC claims.

The balance sheet position of £8.6m shows a strong net asset position which has improved on the prior year due to the strong trading results achieved. Tangible assets have decreased slightly as a result of the depreciation charge for the year being slightly larger than the significant investment in physical assets due to the company beginning to occupy a new property in the period. An investment was also made in the company's accounting software. An increase has been seen in amounts recoverable due to timing of invoicing and the general increase in revenue. Due to the way the Company invoices and recognises revenue on long term contracts, trade debtors, amounts recoverable on contracts and payments on account can see large swings depending on the invoicing cycle of the contracts that are live around the year end. The net position of these 3 balances is £2,061k compared to £1,755 in the prior year an increase of £306k. The remaining working capital cycle has remained relatively stable.

A reduction of £963k in the deferred tax asset has occurred as the group generates research and development claims which result in uncertainty over the future level of taxable profits. Therefore the tax losses have been restricted, however, this is offset by an increase of £756k in tax repayments due from the tax authorities, driven by the research and development claims made in the year.

The defined benefit pension scheme liability in 2020 was £2.7m updated from the previous financial statements filed due to a valuation error in prior years of £2.3m as detailed in note 31 of the financial statements. The 2021 position including the correction was an asset of £226k due to improvements in the investments held and assumptions made in the scheme valuation.

# LUCIDEON GROUP LIMITED

## STRATEGIC REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

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#### Principal risks and uncertainties

##### *Customer relations and concentration*

The business carried out regular reviews of risks associated with its trading and operations. The wide and diverse customer base with no significant reliance on any single client or client group minimises the risk of business damage by client loss. Revenues are not strongly predictable given the service and projects nature of the business - and that gives rise to short term uncertainties in terms of monthly trading performance.

##### *Political and Economic Environment*

Changes in government and policy may be a risk, e.g. changes in taxation, depending on whether positive or not, will affect businesses and their spending ability. The current economic position and the threat of a recession is having a direct impact on business decisions to invest in testing and R&D and therefore is a risk to the business. The Group keeps abreast of such changes and assesses their impact on the business thereby taking a pro-active approach and implementing any action that may be necessary to counteract such changes, for example a review of pricing policies.

##### *Regulatory Environment*

Much of the Group's testing and consultancy programs are driven by governmental or industry requirements, the majority of which have been in place for a number of years. The Group continues to review these to ensure it is able to react to any changes.

##### *Currency*

The Group has a large number of transactions in US Dollars and Euros. Significant exchange rate fluctuations could materially impact the Group's performance. This risk is mitigated by the Group by natural hedging using the foreign currency bank accounts that the business holds.

#### Financial key performance indicators

Lucideon Group Limited has established key performance indicators across the Group including sales pipeline, sales volume and margin generation, costs control especially around staff costs, the sales order book, future sales opportunities and working capital to measure progress in achieving business objectives while meeting our customers' requirements. The following are of particular importance:

|   | 2021  | 2020  |
|---|-------|-------|
| Return on Sales<br>(Operating profit expressed as a percentage of sales)                    | 11.5% | 2.0%  |
| Return on Investment<br>(Operating profit expressed as a percentage of shareholders' funds) | 26.5% | 5.7%  |
| Working Capital<br>(Current assets divided by current liabilities)                          | 1:1.7 | 1:1.7 |

An increase in return on sales and return on investment has been noted due to an increase in revenue which is mainly driven by a return to pre-pandemic levels and a one off sale of license fees to a third party customer. Working capital ratio has remaining relatively consistent with the group continuing to maintain focus on decreasing the working capital cycle.

#### Training and development

We continue to invest in the training and development of our people - the key resource in our technology-based service business. Leadership and management and competency development are the foremost areas of investment.

On behalf of the board

*Anthony Kinsella*

Mr A Kinsella  
Director

21/12/22

# **LUCIDEON GROUP LIMITED**

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2021**

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

The Directors have not disclosed the following sections of the Directors' report "Business review, key performance indicators and risks and uncertainties" as these have been included within the Strategic Report on page 3.

#### **Principal activities**

The principal activity of the Group during the year was Materials Development and Commercialisation.

#### **Results and dividends**

The profit for the year, after taxation, amounted to £2,052,827 (2020: £467,674).

Dividends of £nil (2020: £nil) have been declared during the year.

#### **Directors**

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

Mr. A Kinsella

Dr GJ Edgell

#### **Qualifying third party indemnity provisions**

The company has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

#### **Going concern**

Throughout 2021, the Lucideon group of companies have continued to adapt to the unique challenges presented by Covid- 19 and in the main have been able to continue to work with clients and deliver projects as planned. The Directors have continued to closely monitor the cost base and successfully secured additional funding under the CBILS scheme, that was available to fund working capital and growth. In addition management are working with their bankers to provide a new £3.5m Revolving Credit Facility (RCF) for the group in 2023.

In considering the going concern basis of preparing the financial statements, the Directors have prepared Profit & Loss, Balance Sheet and Cash Flow Forecasts that extend to December 2023. These forecasts incorporate the experience from 2021 and 2022 and reflect market expectations and confirmed order books for 2023 and beyond. The forecasts demonstrate that the Group expect to have adequate funding available to support operating activities and targeted growth moving forwards.

The assumptions within the forecasts have also been sensitised and this work has concluded that the Group expects to have adequate funding across these scenarios. As a result of this work, the Directors are satisfied that the Group has adequate funding available including the remaining CBILS loan and a new RCF facility that will allow for further growth for a period of at least 12 months from the date at which the financial statements are signed and hence have concluded it remains appropriate to prepare the financial statements on the going concern basis.

#### **Future developments**

We are planning to continue the successful policy of overseas expansion into our chosen strategic market sectors which include Healthcare, Aerospace, Defence, Nuclear & Energy and to source investment capital for significant acquisitions.

The Board plans to enter into the Asian market and has identified internal and external resources to assist us in meeting that goal. The Directors have approved its support for the successful bid by a consortium (Midlands Industrial Ceramic Group), led by Lucideon, to the UK Governments "Strength in Places Fund". (SIPF) The £ multi million award will fund equipment and human resources to assist in the expansion into the high value and high growth Advanced Ceramics market. New Management Information and Financial systems are being implemented further across the Group during the coming year.

# **LUCIDEON GROUP LIMITED**

## **DIRECTORS' REPORT (CONTINUED)**

### **FOR THE YEAR ENDED 31 DECEMBER 2021**

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#### **Research and development**

The Group will continue to invest strongly into R&D to drive new services and thus revenues and profits. It is intended to consolidate effort and activity and bring further transparency to the costs and returns of our work in this area. The successful outcome to the "SIPF" programme will see a significant increase in the resources invested into R&D.

#### **Greenhouse gas emissions**

The Group is not required to report on its emissions or energy use. Given its support for high energy user industries such as Ceramics, and its activities in developing technologies to reduce energy consumption and related Carbon emissions for those industries, the Board recognises that its research will increase our own energy consumption.

The increases will take place over the next 2 - 3 years as the R&D into the application of Hydrogen gas as a firing aid for these industries, will require significant energy consumption on site. These increases will be short term and will overall lead to a significant reduction in the energy use of those industries, creating energy and emission savings that will dwarf the short term increases from our research.

#### **Financial instruments**

##### **Liquidity Risk**

Having reviewed forecasts and taking into account sensitivity analysis, the directors consider that adequate cash reserves are in place to fund any future trading and investment.

##### **Cash Flow**

Cash flow is monitored on a daily basis ensuring that the Group has the ability to meet its liabilities while generating adequate cash to service re-investment in the business. Capital expenditure and Return on Investment are also monitored.

##### **Credit Risk**

Credit control is a priority, good relationships are maintained with customers and credit limits are agreed and closely managed. Debtor listings are reviewed on a daily basis with continual communication with customers.

##### **Foreign Currency Risk**

Exchange rates are monitored on a daily basis and a pro-active approach is taken with a view to counteracting any adverse movements.

#### **Statement of disclosure to auditor**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

During 2022, Grant Thornton resigned as auditors of the entity and RSM UK Audit LLP were subsequently appointed as auditors. RSM UK Audit LLP has expressed their willingness to be re-appointed as auditor and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

On behalf of the board

*Anthony Kinsella*

Mr A Kinsella  
Director

21/12/22

# **LUCIDEON GROUP LIMITED**

## **DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021**

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The directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LUCIDEON GROUP LIMITED**

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### **Opinion**

We have audited the financial statements of Lucideon Group Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2021 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the company statement of financial position, the consolidated statement of changes in equity, the company statement of changes in equity, the consolidated statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2021 and of the Group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### **Other Information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 our audit:

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



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LUCIDEON GROUP LIMITED (CONTINUED)**

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

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's responsibilities for the audit of the financial statements**

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

### **The extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses, and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory frameworks that the group and parent company operates in and how the group and parent company are complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LUCIDEON GROUP LIMITED (CONTINUED)**

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As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, inspecting correspondence with local tax authorities and evaluating advice received from internal tax advisors.

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to employment law, ISO accreditations and health and safety. We performed audit procedures to inquire of management and those charged with governance whether the company is in compliance with these law and regulations and inspected correspondence with relevant authorities.

The audit engagement team identified the risk of management override of controls and revenue recognition as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, challenging judgments and estimates applied by management. Audit procedures performed over revenue recognition included testing the operating effectiveness of controls, analytical review procedures, performing cut-off tests and tests of detail to cover all revenue assertions, including assessing the appropriateness of the recognition of revenue on long term contracts.

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

### **Use of our report**

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

*Adam Krupski*

ADAM KRUPSKI (Senior Statutory Auditor)  
For and on behalf of RSM UK AUDIT LLP, Statutory Auditor  
Chartered Accountants  
Festival Way  
Stoke-on-Trent  
Staffordshire  
ST1 5BB

21/12/22

# LUCIDEON GROUP LIMITED

## CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

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|  | Notes | 2021<br>£    | 2020<br>£    |
|--|-------|--------------|--------------|
| Turnover                               | 3     | 19,840,364   | 16,912,595   |
| Other operating income                 |       | 2,666,838    | 2,289,560    |
| Other external charges                 |       | (7,934,480)  | (6,874,054)  |
| Staff costs                            | 4     | (11,158,571) | (10,624,869) |
| Research and development staff costs   |       | (122,530)    | (166,404)    |
| Depreciation and amortisation          | 7     | (1,006,585)  | (1,191,709)  |
|  |       | <hr/>        | <hr/>        |
| Operating profit                       | 7     | 2,285,036    | 345,119      |
| Interest receivable and similar income | 9     | -            | 4,841        |
| Interest payable and similar expenses  | 10    | (215,093)    | (216,770)    |
| Other finance expense                  | 10    | (6,000)      | (5,000)      |
|  |       | <hr/>        | <hr/>        |
| Profit before taxation                 |       | 2,063,943    | 128,190      |
| Tax on profit                          | 11    | (11,116)     | 339,484      |
|  |       | <hr/>        | <hr/>        |
| Profit for the financial year          |       | 2,052,827    | 467,674      |
|  |       | <hr/>        | <hr/>        |

# LUCIDEON GROUP LIMITED

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

|   | 2021<br>£        | 2020<br>£        |
|---|------------------|------------------|
| <b>Profit for the year</b>                                  | <b>2,052,827</b> | <b>467,674</b>   |
| <b>Other comprehensive income net of taxation</b>           |                  |                  |
| Currency translation differences                            | (25,882)         | 47,839           |
| Actuarial gain/(loss) on defined benefit schemes            | 3,106,000        | (216,000)        |
| Movement on deferred tax relating to pension gains          | (578,440)        | 41,000           |
| Withholding tax on defined benefit schemes surplus          | (121,800)        | -                |
| Other comprehensive expense                                 | -                | (6,534)          |
| <b>Other comprehensive income for the year</b>              | <b>2,379,878</b> | <b>(133,695)</b> |
| <b>Total comprehensive income for the year</b>              | <b>4,432,705</b> | <b>333,979</b>   |
| Profit for the year attributable to:                        |                  |                  |
| - Owners of the parent company                              | 2,052,827        | 467,674          |
| Total comprehensive income for the year is attributable to: |                  |                  |
| - Owners of the parent company                              | 4,432,705        | 333,979          |
|   | <b>4,432,705</b> | <b>333,979</b>   |

**LUCIDEON GROUP LIMITED****CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2021**

|  | Notes | £           | 2021<br>£         | 2020<br>£<br>(Restated – see<br>note 31) | £                 |
|--|-------|-------------|-------------------|--|-------------------|
| <b>Fixed assets</b>  |       |             |                   |  |                   |
| Intangible assets  | 12    |             | (894,263)         |  | (998,607)         |
| Tangible assets  | 13    |             | 6,565,847         |  | 6,685,612         |
| Investments  | 14    |             | 65,967            |  | 106,997           |
|  |       |             | <u>5,737,551</u>  |  | <u>5,794,002</u>  |
| <b>Current assets</b>  |       |             |                   |  |                   |
| Stocks   | 15    | 480,543     |                   | 462,125                                  |                   |
| Debtors: amounts falling due within one year                   | 16    | 6,731,237   |                   | 7,097,108                                |                   |
| Cash at bank and in hand                                       | 17    | 3,325,322   |                   | 7,038,797                                |                   |
|  |       |             | <u>10,537,102</u> | <u>14,598,030</u>                        |                   |
| <b>Creditors: amounts falling due within one year</b>          | 18    | (6,081,534) |                   | (8,498,938)                              |                   |
| <b>Net current assets</b>                                      |       |             | <u>4,455,568</u>  |  | <u>6,099,092</u>  |
| <b>Total assets less current liabilities</b>                   |       |             | <u>10,193,119</u> |  | <u>11,893,094</u> |
| <b>Creditors: amounts falling due after more than one year</b> | 19    |             | (1,653,642)       |  | (4,882,140)       |
| <b>Provisions for liabilities</b>                              | 22    |             | (156,018)         |  | (100,000)         |
| <b>Net assets excluding pension asset/(liability)</b>          |       |             | <u>8,383,459</u>  |  | <u>6,910,954</u>  |
| <b>Pension asset/(liability)</b>                               | 24    |             | 226,200           |  | (2,752,000)       |
| <b>Net assets</b>  |       |             | <u>8,609,659</u>  |  | <u>4,158,954</u>  |
| <b>Capital and reserves</b>                                    |       |             |                   |  |                   |
| Called up share capital  | 25    | 2,500       |                   | 2,500                                    |                   |
| Share option reserve   | 29    | 174,667     |                   | 161,000                                  |                   |
| Other reserves   | 29    | (1,750)     |                   | (1,750)                                  |                   |
| Profit and loss account  | 29    | 8,434,242   |                   | 3,997,204                                |                   |
| <b>Total equity</b>  |       |             | <u>8,609,659</u>  |  | <u>4,158,954</u>  |

The financial statements on pages 11 to 43 were approved by the board of directors and authorised for issue on 21/12/22 and are signed on its behalf by:

*Anthony Kinsella*

Mr A Kinsella  
Director

**LUCIDEON GROUP LIMITED****COMPANY STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2021**

|  | Notes | 2021<br>£   | 2020<br>£                |
|--|-------|-------------|--------------------------|
|  |       |             | (Restated – see note 31) |
| <b>Fixed assets</b>  |       |             |                          |
| Investments  | 14    | 6,653,757   | 6,653,757                |
| <b>Current assets</b>  |       |             |                          |
| Debtors: amounts falling due within one year                   | 16    | 5,297,070   | 546,474                  |
| Cash at bank and in hand                                       | 17    | 1,152,082   | 4,869,400                |
|  |       | 6,449,152   | 5,415,874                |
| <b>Creditors: amounts falling due within one year</b>          | 18    | (8,982,448) | (4,035,693)              |
| <b>Net current assets</b>                                      |       | (2,533,296) | 1,380,181                |
| <b>Total assets less current liabilities</b>                   |       | 4,120,461   | 8,033,938                |
| <b>Creditors: amounts falling due after more than one year</b> | 19    | (728,813)   | (4,125,000)              |
| <b>Net assets excluding pension liability</b>                  |       | 3,391,648   | 3,908,938                |
| <b>Provisions for liabilities</b>                              | 22    | (56,550)    | -                        |
| <b>Pension asset/(liability)</b>                               | 24    | 226,200     | (2,752,000)              |
| <b>Net assets</b>  |       | 3,561,298   | 1,156,938                |
| <b>Capital and reserves</b>                                    |       |             |                          |
| Called up share capital  | 25    | 2,500       | 2,500                    |
| Share option reserve   | 29    | 174,667     | 161,000                  |
| Other reserves   | 29    | (1,750)     | (1,750)                  |
| Profit and loss reserves                                       | 29    | 3,385,881   | 995,188                  |
| <b>Total equity</b>  |       | 3,561,298   | 1,156,938                |

Lucideon Group Limited has not presented a separate Statement of Comprehensive income in these financial statements. The loss after tax of the parent company for the year ended 31 December 2021 was £19,400 (2020: Profit of £4,574,772).

The financial statements on pages 11 to 43, were approved by the board of directors and authorised for issue on 21/12/22 and are signed on its behalf by:

*Anthony Kinsella*

Mr A Kinsella  
Director

# LUCIDEON GROUP LIMITED

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

|   | Share<br>capital<br>£ | Share<br>option<br>reserve<br>£ | Other<br>reserves<br>£ | Profit and<br>loss<br>reserves<br>£ | Total<br>£ |
|---|-----------------------|---------------------------------|------------------------|-------------------------------------|------------|
| <b>Balance at 1 January 2020 (Restated – see note 31)</b> | 2,500                 | 173,333                         | (1,750)                | 3,562,892                           | 3,736,975  |
| <b>Year ended 31 December 2020:</b>                       |                       |                                 |                        |                                     |            |
| Profit for the year                                       | -                     | -                               | -                      | 467,674                             | 467,674    |
| <i>Other comprehensive income net of taxation:</i>        |                       |                                 |                        |                                     |            |
| Currency translation differences                          | -                     | -                               | -                      | 47,839                              | 47,839     |
| Actuarial losses on pension scheme                        | -                     | -                               | -                      | (175,000)                           | (175,000)  |
| Currency translation differences on consolidation         | -                     | -                               | -                      | (6,534)                             | (6,534)    |
| <b>Total comprehensive income for the year</b>            | -                     | -                               | -                      | 333,979                             | 333,979    |
| Share based payment charge                                | -                     | 88,000                          | -                      | -                                   | 88,000     |
| Transfer between reserves                                 | -                     | (100,333)                       | -                      | 100,333                             | -          |
| <b>Total transactions with owners</b>                     | -                     | (12,333)                        | -                      | 100,333                             | 88,000     |
| <b>Balance at 31 December 2020</b>                        | 2,500                 | 161,000                         | (1,750)                | 3,997,204                           | 4,158,954  |
| <b>Year ended 31 December 2021:</b>                       |                       |                                 |                        |                                     |            |
| Profit for the year                                       | -                     | -                               | -                      | 2,052,827                           | 2,052,827  |
| <i>Other comprehensive income net of taxation:</i>        |                       |                                 |                        |                                     |            |
| Actuarial gains on pension scheme                         | -                     | -                               | -                      | 2,405,760                           | 2,405,760  |
| Currency translation differences on consolidation         | -                     | -                               | -                      | (25,882)                            | (25,882)   |
| <b>Total comprehensive income for the year</b>            | -                     | -                               | -                      | 4,432,705                           | 4,432,705  |
| Share based payment charge                                | -                     | 18,000                          | -                      | -                                   | 18,000     |
| Transfer between reserves                                 | -                     | (4,333)                         | -                      | 4,333                               | -          |
| <b>Total transactions with owners</b>                     | -                     | 13,667                          | -                      | 4,333                               | 18,000     |
| <b>Balance at 31 December 2021</b>                        | 2,500                 | 174,667                         | (1,750)                | 8,434,242                           | 8,609,659  |

# LUCIDEON GROUP LIMITED

## COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

|   | Share<br>capital<br>£ | Share<br>option<br>reserve<br>£ | Other<br>reserves<br>£ | Profit and<br>loss<br>reserves<br>£ | Total<br>£  |
|---|-----------------------|---------------------------------|------------------------|-------------------------------------|-------------|
| <b>Balance at 1 January 2020 (Restated – see note 31)</b> | 2,500                 | 173,333                         | (1,750)                | (3,504,917)                         | (3,330,834) |
| <b>Year ended 31 December 2020:</b>                       |                       |                                 |                        |                                     |             |
| Profit for the year                                       | -                     | -                               | -                      | 4,574,772                           | 4,574,772   |
| Other comprehensive income net of taxation:               |                       |                                 |                        |                                     |             |
| Actuarial losses on pension scheme                        | -                     | -                               | -                      | (175,000)                           | (175,000)   |
| <b>Total comprehensive income for the year</b>            | -                     | -                               | -                      | 4,399,772                           | 4,399,772   |
| Share based payment charge                                | -                     | 88,000                          | -                      | -                                   | 88,000      |
| Transfer between reserves                                 | -                     | (100,333)                       |                        | 100,333                             | -           |
| <b>Total transactions with owners</b>                     | -                     | (12,333)                        | -                      | 100,333                             | 88,000      |
| <b>Balance at 31 December 2020</b>                        | 2,500                 | 161,000                         | (1,750)                | 995,188                             | 1,156,938   |
| <b>Year ended 31 December 2021:</b>                       |                       |                                 |                        |                                     |             |
| Profit for the year                                       | -                     | -                               | -                      | (19,400)                            | (19,400)    |
| Actuarial gains on pension scheme                         | -                     | -                               | -                      | 2,405,760                           | 2,405,760   |
| <b>Total comprehensive income for the year</b>            | -                     | -                               | -                      | 2,386,360                           | 2,386,360   |
| Share based payment charge                                | -                     | 18,000                          | -                      | -                                   | 18,000      |
| Transfer between reserves                                 | -                     | (4,333)                         | -                      | 4,333                               | -           |
| <b>Total transactions with owners</b>                     | -                     | 13,667                          | -                      | 4,333                               | 18,000      |
| <b>Balance at 31 December 2021</b>                        | 2,500                 | 174,667                         | (1,750)                | 3,385,881                           | 3,561,298   |



# LUCIDEON GROUP LIMITED

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

|   | Note        | 2021               | 2020               |
|---|-------------|--------------------|--------------------|
|   |             | £                  | £                  |
| <b>Net cash from operating activities</b>           | 26          | <b>780,710</b>     | <b>2,005,790</b>   |
| <b>Investing activities</b>                         |             |                    |                    |
| Purchase of intangible fixed assets                 | (103,077)   | (247,800)          |                    |
| Sale of intangible assets                           | -           | 45,809             |                    |
| Purchase of tangible fixed assets                   | (539,786)   | (1,479,086)        |                    |
| Sale of tangible fixed assets                       | 13,493      | 163,887            |                    |
| Sale of unlisted and other investments              | 41,030      | 16,848             |                    |
| Interest received                                   | -           | 4,841              |                    |
| <b>Net cash used in investing activities</b>        |             | <b>(588,340)</b>   | <b>(1,495,501)</b> |
| <b>Financing activities</b>                         |             |                    |                    |
| New secured loans                                   | -           | 5,065,990          |                    |
| Repayment of loans                                  | (3,619,825) | (27,050)           |                    |
| Repayment of new finance leases                     | (70,927)    | (50,389)           |                    |
| Interest paid                                       | (215,093)   | (216,770)          |                    |
| <b>Net cash generated from financing activities</b> |             | <b>(3,905,845)</b> | <b>4,771,781</b>   |
| <b>Net increase in cash and cash equivalents</b>    |             | <b>(3,713,475)</b> | <b>5,282,070</b>   |
| Cash and cash equivalents at beginning of year      |             | <b>7,038,797</b>   | <b>1,756,727</b>   |
| <b>Cash and cash equivalents at end of year</b>     |             | <b>3,325,322</b>   | <b>7,038,797</b>   |

# LUCIDEON GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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### 1 Accounting policies

#### Company information

Lucideon Group Limited is a private company limited by shares, incorporated in England and Wales. Its registered office is Queens Road, Penkhull, Stoke on Trent, Staffordshire, ST4 7LQ.

#### Accounting convention

These consolidated and company financial statements have been prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102) and the requirements of the Companies Act 2006 including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, and under the historical cost convention.

The Company has issued a parent company guarantee pursuant to Section 479(C) of the Companies Act 2006 for the year on behalf of the subsidiaries registered in the United Kingdom listed below. The parent guarantee applies to all outstanding liabilities for the subsidiaries at the balance sheet date until the obligations have been fulfilled. The following subsidiaries have applied the exemption from statutory audit provided for in Section 479(A) of the Companies Act 2006.

#### Subsidiaries:

Lucideon CICS Limited – 01871628  
AMRICC Ltd - 10269157

#### Functional and presentational currency

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 £.

#### Reduced disclosures – Company only

The company has taken advantage of the exemptions from disclosing the following information in its company only accounts, as permitted by the reduced disclosure regime within FRS 102:-

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares
- Section 7 'Statement of Cash Flows' – Presentation of a Statement of Cash Flow and related notes and disclosures
- Section 11 'Basic Financial Instruments' & Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income
- Section 33 'Related Party Disclosures' – Compensation for key management personnel

#### Basis of consolidation

The consolidated financial statements incorporate those of Smithers UK Holdings Limited and all of its subsidiary undertakings for the year. Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes. All financial statements are made up to 31 December 2021.

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

The cost of a business combination is the fair value at the acquisition date, of the assets given, equity instruments issued and liabilities incurred or assumed, plus directly attributable costs. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill.

As permitted by section 408 Companies Act 2006, the company has not presented its own statement of comprehensive income as it prepares group accounts and the company's individual statement of financial position shows the company's profit or loss for the financial year.

# LUCIDEON GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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### 1 Accounting policies (Continued)

#### **Going concern**

Throughout 2021, the Lucideon group of companies have continued to adapt to the unique challenges presented by Covid- 19 and in the main have been able to continue to work with clients and deliver projects as planned. The Directors have continued to closely monitor the cost base and secured additional funding under the CBILS scheme, that is available to fund working capital and growth if required. In addition management are working with their bankers to provide a new £3.5m Revolving Credit Facility (RCF) for the group in 2023.

In considering the going concern basis of preparing the financial statements, the Directors have prepared Profit & Loss, Balance Sheet and Cash Flow Forecasts that extend to December 2023. These forecasts incorporate the experience from 2021 and 2022 and reflect market expectations and confirmed order books for 2023 and beyond. The forecasts demonstrate that the Group expect to have adequate funding available to support operating activities and targeted growth moving forwards.

The assumptions within the forecasts have also been sensitised and this work has concluded that the Group expects to have adequate funding across these scenarios. As a result of this work, the Directors are satisfied that the Group has adequate funding available including the remaining CBILS loan and a new RCF facility that will allow for further growth for a period of at least 12 months from the date at which the financial statements are signed and hence have concluded it remains appropriate to prepare the financial statements on the going concern basis.

As the parent undertaking has net current liabilities of £2,533,296 and is not expected to generate positive cashflows to be able to repay its liabilities in the short term, which include group balances of £8,668,277. A letter of support has been obtained from its subsidiary Lucideon Limited and Lucideon CICS Limited confirming that they will not demand repayment of any debt and will continue to support the parent undertaking for a period of at least 12 months from the date of signing the financial statements. The directors have no reason to consider this support will not be provided and therefore the financial statements have been prepared on a going concern basis.

#### **Turnover**

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

#### **Rendering of services**

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably;
- and
- the milestones reached and the milestones to complete the contract can be measured reliably.

#### **Sale of goods**

Revenue is recognised when substantially all of the obligations under a sales contract have been fulfilled.

#### **Interest income**

Interest income is recognised in profit or loss using the effective interest method.

#### **Finance costs**

Finance costs are charged to profit or loss 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.

# LUCIDEON GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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### 1 Accounting policies (Continued)

#### **Borrowing costs**

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

#### **Research and development expenditure**

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. 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 range from 3 to 6 years. If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

#### **Intangible fixed assets - goodwill**

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses.

Goodwill is amortised on a straight line basis to the Consolidated profit and loss account over its useful economic life. Negative goodwill is similarly included in the balance sheet and is credited to the profit and loss account in the periods in which the relevant non-monetary assets are recovered through depreciation or sale. Negative goodwill in excess of the fair values of the relevant non-monetary assets is credited to the profit and loss account in the periods expected to benefit.

#### **Intangible fixed assets other than goodwill**

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. All intangible assets are considered to have a finite useful life.

If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

Software

15% straight line

# LUCIDEON GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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### 1 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.

|                              |                            |
|------------------------------|----------------------------|
| Freehold property            | 2.5% straight line         |
| Long-term leasehold property | Over the life of the lease |
| Plant and machinery          | 10% to 33% straight line   |
| Fixtures and fittings        | 10% to 33% straight line   |

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 profit or loss.

#### **Fixed asset investments**

Investments in subsidiaries are measured at cost less accumulated impairment.

#### **Stocks**

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

At each balance sheet 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.

#### **Cash and cash equivalents**

Cash and cash equivalents at the end of the period relate to bank balances included in cash at bank and in hand.

#### **Financial instruments**

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

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument, and are offset only when the Group currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### **Financial Assets**

##### *Trade debtors, other debtors and amounts owed by group undertakings*

Trade debtors, other debtors and amounts owed by group undertakings which are receivable within one year are initially measured at the transaction price. Trade debtors, other debtors and amounts owed by group undertakings are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

A provision for impairment of trade debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in profit or loss.

# LUCIDEON GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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### 1 Accounting policies (Continued)

#### Financial instruments (continued)

##### *Financial liabilities and equity*

Financial instruments are classified as liabilities and equity instruments according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

##### *Equity instruments*

Financial instruments classified as equity instruments are recorded at the fair value of the cash or other resources received or receivable, net of direct costs of issuing the equity instruments.

##### *Trade creditors, other creditors, amounts owed to group and accruals*

Trade creditors, other creditors, amounts owed to group and accruals payable within one year are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

##### *Borrowings*

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

##### *Derecognition of financial assets and liabilities*

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, 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. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

#### **Taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss 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 balance sheet date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

# LUCIDEON GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 1 Accounting policies (Continued)

##### **Provisions**

*Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.*

Provisions are charged as an expense to profit or loss in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

##### **Pensions**

###### **Defined contribution pension plan**

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Consolidated Income Statement when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Group in independently administered funds.

###### **Defined benefit pension plan**

The Group operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the Statement of Financial Position in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the balance sheet date less the fair value of plan assets at the balance sheet date (if any) out of which the obligations are to be settled.

The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Group's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

- a) the increase in net pension benefit liability arising from employee service during the period; and
- b) the cost of plan introductions, benefit changes, curtailments and settlements. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets.

This cost is recognised in profit or loss as a 'finance expense'. The Defined Benefit Scheme has been closed to future membership and closed to future accrual of benefit for a number of years.

# **LUCIDEON GROUP LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

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### **1 Accounting policies (Continued)**

#### **Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the statement of financial position as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term. Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

#### **Government grants**

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Consolidated Income Statement in the same period as the related expenditure. This includes amounts receivable under the Coronavirus Job Retention Scheme 'CJRS' and similar scheme to reimburse the Company for wages of certain employees who were furloughed during the period but who remained on the Company's payroll.

#### **Foreign exchange**

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.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

#### **Dividends**

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

#### **Other operating income**

Other operating income includes tax credits for R&D taxation of £287,560 (2020: £nil).

This treatment is in accordance with HMRC Research and Development Expenditure Credit (RDEC) scheme requirements.



# **LUCIDEON GROUP LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

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### **2 Judgements and key sources of estimation uncertainty**

The preparation of the financial statements requires Management to make judgements, estimates and assumptions that affect the amounts of 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. The following judgements ( apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

#### **Critical judgements**

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

#### **Valuation of unlisted investments**

The valuation of unlisted investments where the valuations reflect the illiquid market for the investment held using an appropriate valuation technique, with the objective of using a valuation technique to estimate what the transaction price would have been on the balance sheet date in an arm's length exchange motivated by normal business considerations. At the year end, the unlisted investment was valued at £65,967 (2020: £106,997).

#### **Provisions**

The group is required to assess the value of provisions required to reflect obligations under its property lease arrangements. At the year end, the carrying value of provisions was £100,000 (2020: £100,000). This provision is based on expected rectification costs based on management's experience and level of work performed on leased property.

#### **Defined benefit pension scheme valuation**

The actuarial calculation of the defined benefit pension scheme requires assumptions to be made in respect of mortality rates of members, discount rates and the rates of inflation that should be used. Further details can be found in note 24.

#### **Amortisation of negative goodwill**

As stated in the accounting policies, negative goodwill is released to the Income Statement over the period the non monetary assets are realised. There is a degree of judgment required in determining the period of release.

#### **Revenue recognition – Stage of completion**

In order to assess the recognition of turnover and profits generated on contracts the management consider the stage of completion of the contracts ongoing at the year end by reviewing the milestones achieved on each contract. This assessment includes an estimate of expected milestones to complete which includes an element of judgement as projects can change and result in either additional or less costs depending on the outcome of work performed.

# LUCIDEON GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

### 3 Turnover and other revenue

|   | 2021<br>£         | 2020<br>£         |
|---|-------------------|-------------------|
| <b>Turnover analysed by class of business</b>       |                   |                   |
| Research, testing and consultancy                   | 17,285,719        | 15,053,783        |
| Accreditation services                              | 2,554,645         | 1,858,812         |
|   | <u>19,840,364</u> | <u>16,912,595</u> |
|   | 2021<br>£         | 2020<br>£         |
| <b>Turnover analysed by geographical market</b>     |                   |                   |
| United Kingdom                                      | 8,843,343         | 7,969,245         |
| Rest of Europe                                      | 2,012,929         | 1,932,240         |
| Rest of the world                                   | 8,984,092         | 7,011,110         |
|   | <u>19,840,364</u> | <u>16,912,595</u> |
|   | 2021<br>£         | 2020<br>£         |
| <b>Other operating income</b>                       |                   |                   |
| Furlough income                                     | 857,362           | 1,267,446         |
| Allocation of time and resources to pooled research | 1,521,916         | 1,022,114         |
| Research and development credit                     | 287,560           | -                 |
|   | <u>2,666,838</u>  | <u>2,289,560</u>  |

Other operating income includes amounts receivable under the CJRS to reimburse the Company for the wages of certain employees who were furloughed during the period but who remain on the Company's payroll.

Following the acquisition of British Ceramic Research Limited in 2015 the Group recognised deferred consideration in the way of Company Funded Pooled Research. The work undertaken extinguishes the deferred consideration and is recognised as other operating income.

### 4 Employees

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

|              | Group<br>2021<br>Number | 2020<br>Number | Company<br>2021<br>Number | 2020<br>Number |
|--------------|-------------------------|----------------|---------------------------|----------------|
| Directors    | 2                       | 3              | 2                         | 3              |
| Technical    | 176                     | 145            | -                         | -              |
| Support      | 75                      | 83             | 17                        | 12             |
| Part time    | 6                       | 2              | -                         | -              |
|              | <u>259</u>              | <u>233</u>     | <u>19</u>                 | <u>15</u>      |
| <b>Total</b> | <b>259</b>              | <b>233</b>     | <b>19</b>                 | <b>15</b>      |

# LUCIDEON GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

### 4 Employees (Continued)

Their aggregate remuneration comprised:

|                                     | Group<br>2021<br>£ | 2020<br>£         | Company<br>2021<br>£ | 2020<br>£        |
|-------------------------------------|--------------------|-------------------|----------------------|------------------|
| Wages and salaries                  | 9,799,871          | 9,203,041         | 774,775              | 1,015,006        |
| Social security costs               | 853,939            | 810,980           | 71,860               | 95,861           |
| Cost of defined contribution scheme | 627,291            | 769,710           | 84,040               | 94,250           |
|                                     | <u>11,281,101</u>  | <u>10,783,731</u> | <u>930,675</u>       | <u>1,205,117</u> |

### 5 Directors' remuneration

|                         | 2021<br>£      | 2020<br>£      |
|-------------------------|----------------|----------------|
| Directors' emoluments   | 195,369        | 464,670        |
| Directors pension costs | 19,242         | 46,250         |
|                         | <u>214,611</u> | <u>510,920</u> |

During the year retirement benefits were accruing to 1 directors (2020: 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £121,960 (2020: £412,998).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £19,242 (2020: £27,018).

# LUCIDEON GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

### 6 Share-based payments

Under the Company plan, share options are granted at the average price of the Company's shares at the grant date. The employee is entitled to exercise the share options upon an event, for which an estimated length of time has been determined by management. (the "vesting period"). Options are forfeited if the employee leaves the Company before they become entitled to exercise the share options.

|                            | 2021          |                                 | 2020          |
|----------------------------|---------------|---------------------------------|---------------|
|                            | Option number | Weighted average exercise price | Option number |
| Outstanding at 1 January   | 2,875,000     | 0.08                            | 5,500,000     |
| Forfeited during the year  | (125,000)     | 0.08                            | (2,625,000)   |
| Outstanding at 31 December | 2,750,000     |                                 | 2,875,000     |

The weighted average fair value of options granted was determined using the earnings multiple pricing model, with appropriate factors being utilised to make adjustment for known factors.

The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions, and behavioural considerations. Non-vesting conditions and market conditions are taken into account when estimating the fair value of the option at grant date.

Details of the options to subscribe for ordinary shares of £0.0001 each, which remain exercisable, are as follows:

|                     | Ordinary £0.0001 shares in respect of which options are exercisable | Subscription price per share | Period within which options are exercisable |
|---------------------|---|------------------------------|---|
| At 31 December 2021 | 2,750,000   | £0.00                        | 2020-2024                                   |
| At 31 December 2020 | 2,875,000   | £0.06                        | 2020-2024                                   |

### 7 Operating profit

|   | 2021<br>£ | 2020<br>£ |
|---|-----------|-----------|
| Operating profit for the year is stated after charging/(crediting): |           |           |
| Depreciation of tangible fixed assets                               | 1,007,852 | 1,100,422 |
| Research and development costs                                      | 992,970   | 962,983   |
| Amortisation of intangible assets, including goodwill               | (1,267)   | (91,287)  |
| Profit on disposal of assets  | (3,591)   | (56,279)  |
| Exchange differences  | 193,318   | 193,353   |
| Operating lease rentals:  |           |           |
| Plant and machinery   | 64,874    | -         |
| Property  | 97,568    | 641,666   |

# LUCIDEON GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

|   |                  |                  |
|---|------------------|------------------|
| <b>8 Auditor's remuneration</b>   | <b>2021</b>      | <b>2020</b>      |
| Fees payable to the company's auditor and associates:                       | £                | £                |
| <b>Auditors fees</b>  | <b>79,500</b>    | <b>95,750</b>    |
| The auditing of accounts of associates of the Group pursuant to legislation |                  |                  |
|   | <b>2021</b>      | <b>2020</b>      |
|   | £                | £                |
| <b>For other services</b>   |                  |                  |
| Taxation compliance services  | 17,500           | 12,000           |
| Other taxation services   | 28,000           | 10,000           |
| All other non-audit services  | 3,500            | 7,000            |
|   | <b>49,000</b>    | <b>29,000</b>    |
| <b>9 Interest receivable</b>  | <b>2021</b>      | <b>2020</b>      |
|   | £                | £                |
| Other interest receivable   | -                | 4,841            |
| <b>10 Interest payable and similar expenses</b>                             | <b>2021</b>      | <b>2020</b>      |
|   | £                | £                |
| Loan interest payable   | 59,261           | -                |
| Other finance charges   | 155,832          | 207,198          |
| Finance leases and hire purchase contracts                                  | -                | 9,572            |
| Other finance expense   | 6,000            | 5,000            |
|   | <b>221,093</b>   | <b>221,770</b>   |
| <b>11 Taxation</b>  | <b>2021</b>      | <b>2020</b>      |
|   | £                | £                |
| <b>Current tax</b>  |                  |                  |
| Current tax on profits for the year   | (157,801)        | (47,091)         |
| Adjustments in respect of previous periods                                  | (272,632)        | (157,585)        |
| Total current tax   | <b>(430,433)</b> | <b>(204,676)</b> |
| <b>Deferred tax</b>   |                  |                  |
| Origination and reversal of timing differences and rate change              | <b>441,549</b>   | <b>(134,808)</b> |
| Total tax charge/(credit)   | <b>11,116</b>    | <b>(339,484)</b> |

# LUCIDEON GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

### 11 Taxation (Continued)

The total tax charge/(credit) for the year included in the income statement can be reconciled to the profit before tax multiplied by the standard rate of tax as follows:

|  | 2021<br>£        | 2020<br>£ |
|--|------------------|-----------|
| Profit before taxation   | <b>2,063,943</b> | 128,190   |
| Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%) | <b>392,149</b>   | 24,356    |
| Expenses not deductible for tax purposes, other than goodwill amortisation and impairment            | <b>18,940</b>    | 62,850    |
| Non-taxable income   | <b>(419,802)</b> | (45,336)  |
| Capital allowances for the year in excess of depreciation  | -                | (186,155) |
| Adjustments in respect of previous periods   | <b>(272,632)</b> | -         |
| Movement in deferred tax not recognised  | <b>600,647</b>   | (58,857)  |
| Research and development relief  | <b>(238,163)</b> | -         |
| Other differences leading to an increase (decrease) in the tax charge                                | <b>(70,023)</b>  | (136,342) |
| Taxation charge/(credit)   | <b>11,116</b>    | (339,484) |

The standard rate of corporation tax in the United Kingdom for the year was 19% (2020: 19%). An increase in the UK corporation tax rate was announced in the 2021 Budget which would increase the rate to 25% from 1 April 2023. Existing temporary differences on which deferred tax has been provided may therefore unwind in future periods subject to this increased rate. The rate change has been included in Finance Bill 2021 and was substantively enacted on 24 May 2021 and therefore deferred tax will be calculated using the 25% corporation tax rate. Deferred tax has therefore been provided at a rate of 25% (2020: 19%).

# LUCIDEON GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

### 12 Intangible fixed assets

| Group                              | Goodwill<br>£ | Software<br>£ | Total<br>£  |
|------------------------------------|---------------|---------------|-------------|
| <b>Cost</b>                        |               |               |             |
| At 1 January 2021                  | (3,860,147)   | 555,169       | (3,304,978) |
| Additions                          | -             | 103,077       | 103,077     |
|                                    |               |               |             |
| At 31 December 2021                | (3,860,147)   | 658,246       | (3,201,901) |
|                                    |               |               |             |
| <b>Amortisation and impairment</b> |               |               |             |
| At 1 January 2021                  | (2,633,149)   | 326,778       | (2,306,371) |
| Amortisation charged for the year  | (71,952)      | 70,685        | (1,267)     |
|                                    |               |               |             |
| At 31 December 2021                | (2,705,101)   | 397,463       | (2,307,638) |
|                                    |               |               |             |
| <b>Carrying amount</b>             |               |               |             |
| At 31 December 2021                | (1,155,046)   | 260,783       | (894,263)   |
|                                    |               |               |             |
| At 31 December 2020                | (1,226,998)   | 228,391       | (998,607)   |

# LUCIDEON GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

### 13 Tangible fixed assets

| Group                              | Freehold property | Long-term leasehold property | Plant and machinery | Fixtures and fittings | Total             |
|------------------------------------|-------------------|------------------------------|---------------------|-----------------------|-------------------|
|                                    | £                 | £                            | £                   | £                     | £                 |
| <b>Cost</b>                        |                   |                              |                     |                       |                   |
| At 1 January 2021                  | 4,020,920         | 317,096                      | 7,305,536           | 390,691               | 12,034,243        |
| Additions                          | 129,316           | 2,890                        | 536,401             | 189,747               | 858,354           |
| Disposals                          | -                 | (2,929)                      | (51,013)            | -                     | (53,942)          |
| Translation                        | 17,637            | 3,251                        | 47,679              | 3,198                 | 71,765            |
| <b>At 31 December 2021</b>         | <b>4,167,873</b>  | <b>320,308</b>               | <b>7,838,603</b>    | <b>583,636</b>        | <b>12,910,420</b> |
| <b>Depreciation and impairment</b> |                   |                              |                     |                       |                   |
| At 1 January 2021                  | 853,651           | (9,187)                      | 4,318,754           | 185,413               | 5,348,631         |
| Depreciation charged in the year   | 192,558           | 21,436                       | 727,101             | 66,757                | 1,007,852         |
| Eliminated in respect of disposals | -                 | (196)                        | (43,844)            | -                     | (44,040)          |
| Translation                        | 1,441             | 183                          | 28,138              | 2,368                 | 32,130            |
| <b>At 31 December 2021</b>         | <b>1,047,650</b>  | <b>12,236</b>                | <b>5,030,149</b>    | <b>254,538</b>        | <b>6,344,573</b>  |
| <b>Carrying amount</b>             |                   |                              |                     |                       |                   |
| At 31 December 2021                | 3,120,223         | 308,072                      | 2,808,454           | 329,098               | 6,565,847         |
| <b>At 31 December 2020</b>         | <b>3,167,269</b>  | <b>326,283</b>               | <b>2,986,782</b>    | <b>205,278</b>        | <b>6,685,612</b>  |

Included within freehold property is £250,000 (2020: £250,000) of land which is not depreciated.

The net book value of plant and machinery includes £nil in respect of assets held under finance leases.



# LUCIDEON GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

### 14 Fixed asset investments

|                             | Notes | Group<br>2021<br>£ | 2020<br>£      | Company<br>2021<br>£ | 2020<br>£        |
|-----------------------------|-------|--------------------|----------------|----------------------|------------------|
| Investments in subsidiaries | 14    | -                  | -              | 6,653,757            | 6,653,757        |
| Unlisted investments        |       | 65,967             | 106,997        | -                    | -                |
|                             |       | <u>65,967</u>      | <u>106,997</u> | <u>6,653,757</u>     | <u>6,653,757</u> |

#### Movements in fixed asset investments Group

|                          | Unlisted<br>investments<br>£ |
|--------------------------|------------------------------|
| <b>Cost or valuation</b> |                              |
| At 1 January 2021        | 106,997                      |
| Disposals                | (41,030)                     |
| At 31 December 2021      | <u>65,967</u>                |
| <b>Carrying amount</b>   |                              |
| At 31 December 2021      | <u>65,967</u>                |
| At 31 December 2020      | <u>106,997</u>               |

#### Movements in fixed asset investments Company

|  | Shares in<br>group<br>undertakings<br>£ |
|--|---|
| <b>Cost or valuation</b>               |   |
| At 1 January 2021 and 31 December 2021 | 8,122,749                               |
| <b>Impairment</b>                      |   |
| At 1 January 2021 and 31 December 2021 | <u>(1,468,992)</u>                      |
| <b>Carrying amount</b>                 |   |
| At 31 December 2021                    | <u>6,653,757</u>                        |
| At 31 December 2020                    | <u>6,653,757</u>                        |

The unlisted investment represents a 6.5% shareholding in AZO Materials, a Materials Science company based in Australia. There was a capital reduction enforced by AZO in the year, resulting in a disposal of part of the investment.

# LUCIDEON GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

### 14 Fixed asset investments (continued)

Details of the company's subsidiaries at 31 December 2021 are as follows:

| Name of undertaking   | Registered office         | Nature of business                 | Class of shares held | % Held |          |
|---|---------------------------|------------------------------------|----------------------|--------|----------|
|   |                           |                                    |                      | Direct | Indirect |
| Lucideon Limited  | England                   | Scientific testing and consultancy | Ordinary             | 100.00 | -        |
| Lucideon CICS Limited   | England                   | Independent certification body     | Ordinary             | 100.00 | -        |
| AMRICQ Limited  | England                   | Scientific testing and consultancy | Ordinary             | 100.00 | -        |
| Complete Integrated Certification Services Limited                      | England                   | Dormant                            | Ordinary             | 100.00 | -        |
| Lucideon Cambridge Polymer Limited                                      | England                   | Dormant                            | Ordinary             | 100.00 | -        |
| Ceram Research Limited  | England                   | Dormant                            | Ordinary             | 100.00 | -        |
| Applied Materials Research Innovation and Commercialisation Company Ltd | England                   | Dormant                            | Ordinary             | 100.00 | -        |
| Lucideon M&P Lab Inc  | Schenectady, New York, US | Scientific testing and consultancy | Ordinary             | -      | 100.00   |

The registered office for all direct subsidiaries is: Queens Road, Penkull, Stoke On Trent, ST4 7LQ.

### 15 Stocks

|                                     | Group          |                | Company  |          |
|-------------------------------------|----------------|----------------|----------|----------|
|                                     | 2021           | 2020           | 2021     | 2020     |
|                                     | £              | £              | £        | £        |
| Raw materials and consumables       | 436,094        | 417,687        | -        | -        |
| Finished goods and goods for resale | 44,449         | 44,438         | -        | -        |
|                                     | <u>480,543</u> | <u>462,125</u> | <u>-</u> | <u>-</u> |

# LUCIDEON GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

| 16 Debtors                                  | Group            |                          | Company          |                          |
|---|------------------|--------------------------|------------------|--------------------------|
|   | 2021             | 2020                     | 2021             | 2020                     |
|   | £                | £                        | £                | £                        |
| <b>Amounts falling due within one year:</b> |                  | (Restated - see note 31) |                  | (Restated - see note 31) |
| Trade debtors                               | 3,162,381        | 3,840,712                | -                | -                        |
| Amounts recoverable on long term contracts  | 1,707,066        | 1,151,195                | -                | -                        |
| Amounts owed by group undertakings          | -                | -                        | 5,260,201        | -                        |
| Corporation tax recoverable                 | 949,183          | 192,988                  | 36,869           | -                        |
| Other debtors                               | 226,675          | 285,223                  | -                | -                        |
| Prepayments                                 | 552,170          | 529,257                  | -                | 24,584                   |
|   | <u>6,597,475</u> | <u>5,999,375</u>         | <u>5,297,070</u> | <u>24,584</u>            |
| Deferred tax asset (note 23)                | <u>133,762</u>   | <u>1,097,733</u>         | -                | <u>521,890</u>           |
|   | <u>6,731,237</u> | <u>7,097,108</u>         | <u>5,297,070</u> | <u>546,474</u>           |

An impairment loss of £73,603 (2020: £44,000) was recognised against trade debtors.

Amounts owed by group undertakings attract interest of 3%, are unsecured and have no fixed repayment date.

### 17 Cash and cash equivalents

|                          | Group            |                  | Company          |                  |
|--------------------------|------------------|------------------|------------------|------------------|
|                          | 2021             | 2020             | 2021             | 2020             |
|                          | £                | £                | £                | £                |
| Cash at bank and in hand | <u>3,325,322</u> | <u>7,038,797</u> | <u>1,152,082</u> | <u>4,869,400</u> |

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

|                                    | Notes | Group            |                  | Company          |                  |
|------------------------------------|-------|------------------|------------------|------------------|------------------|
|                                    |       | 2021             | 2020             | 2021             | 2020             |
|                                    |       | £                | £                | £                | £                |
| Bank loans                         | 20    | 291,507          | 481,328          | 203,390          | 375,000          |
| Obligations under finance leases   | 21    | 112,891          | 66,756           | -                | -                |
| Payments received on account       |       | 2,807,944        | 3,236,697        | -                | -                |
| Trade creditors                    |       | 884,146          | 723,585          | -                | -                |
| Amounts owed to group undertakings |       | -                | -                | 8,668,277        | 1,996,308        |
| Corporation tax payable            |       | -                | 95,240           | -                | 36,869           |
| Other taxation and social security |       | 548,432          | 1,030,166        | -                | 29,476           |
| Other creditors                    |       | 161,032          | 1,856,403        | 1,351            | 1,444,873        |
| Accruals and deferred income       |       | 1,275,582        | 1,208,763        | 109,430          | 153,167          |
|                                    |       | <u>6,081,534</u> | <u>8,498,938</u> | <u>8,982,448</u> | <u>4,035,693</u> |

# LUCIDEON GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

### 18 Creditors: amounts falling due within one year (Continued)

Two bank loans with National Westminster Bank Plc commenced on the 1 July 2015 and are repayable in 84 monthly installments. Interest is charged at 3.5% above the base rate per annum.

The bank loans also include additional funding under the CBILS scheme. The CBILS facility is provided against a security, to the value of the loan outstanding, on the buildings owned by the Company. The security is released on repayment of that facility. In 2020 £3.5m of this loan was repaid.

First legal charges dated 5 May 2020 and 10 July 2020 are held by HSBC UK Bank plc over Land and Buildings.

An Unlimited Multilateral Guarantee dated 5 May 2020 is given to HSBC UK Bank plc by Lucideon Limited, Lucideon Group Limited, Amricc Ltd and Lucideon CICS Limited.

The liability in respect of net obligations under finance leases and hire purchase contracts is secured on the related assets.

### 19 Creditors: amounts falling due after more than one year

|                                  | Notes | Group<br>2021<br>£ | 2020<br>£        | Company<br>2021<br>£ | 2020<br>£        |
|----------------------------------|-------|--------------------|------------------|----------------------|------------------|
| Bank loans                       | 20    | 1,205,047          | 4,635,051        | 728,813              | 4,125,000        |
| Obligations under finance leases | 21    | 448,595            | 247,089          | -                    | -                |
|                                  |       | <u>1,653,642</u>   | <u>4,882,140</u> | <u>728,813</u>       | <u>4,125,000</u> |

### 20 Borrowings

|                                    | Group<br>2021<br>£ | 2020<br>£        | Company<br>2021<br>£ | 2020<br>£        |
|------------------------------------|--------------------|------------------|----------------------|------------------|
| Bank loans                         | <u>1,496,554</u>   | <u>5,116,379</u> | <u>932,203</u>       | <u>4,500,000</u> |
| Payable within one year            | 291,507            | 481,328          | 203,390              | 375,000          |
| Payable between two and five years | <u>1,205,047</u>   | <u>4,635,051</u> | <u>728,813</u>       | <u>4,125,000</u> |

# LUCIDEON GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

### 21 Finance lease obligations

|   | Group<br>2021<br>£ | 2020<br>£      | Company<br>2021<br>£ | 2020<br>£ |
|---|--------------------|----------------|----------------------|-----------|
| Future minimum lease payments due under finance leases: |                    |                |                      |           |
| Less than one year                                      | 112,891            | 66,756         | -                    | -         |
| Between one and five years                              | 448,595            | 247,089        | -                    | -         |
|   | <u>561,486</u>     | <u>313,845</u> | <u>-</u>             | <u>-</u>  |

### 22 Provisions for liabilities

|              |       | Group<br>2021<br>£ | 2020<br>£      | Company<br>2021<br>£ | 2020<br>£ |
|--------------|-------|--------------------|----------------|----------------------|-----------|
|              | Notes |                    |                |                      |           |
| Deferred tax | 23    | 56,018             | -              | 56,550               | -         |
| Provision    |       | <u>100,000</u>     | <u>100,000</u> | <u>-</u>             | <u>-</u>  |
|              |       | <u>156,018</u>     | <u>100,000</u> | <u>56,550</u>        | <u>-</u>  |

The group has provided for costs expected to be incurred in relation to obligations under its property lease arrangements.

### 23 Deferred taxation

The major deferred tax (liabilities) and assets recognised by the group and company are:

| Group                          | Assets<br>2021<br>£ | Assets<br>2020<br>£<br>(Restated –<br>see note 31) |
|--------------------------------|---------------------|--|
| Accelerated capital allowances | (5,332)             | (338,313)  |
| Tax losses carried forward     | 139,094             | 901,614  |
| Short term timing differences  | (56,018)            | 534,432  |
|                                | <u>77,744</u>       | <u>1,097,733</u>                                   |

# LUCIDEON GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

### 23 Deferred taxation (continued)

| Company                               | Asset/<br>(liability)<br>2021<br>£ | Asset/<br>(liability)<br>2020<br>£<br>(Restated –<br>see note 31) |
|---------------------------------------|------------------------------------|---|
| Short term timing differences         | <u>(56,550)</u>                    | <u>521,890</u>  |
|                                       | <b>Group<br/>2021<br/>£</b>        | <b>Company<br/>2021<br/>£</b>                                     |
| <b>Movements in the year:</b>         |                                    |   |
| Asset at 1 January 2021               | 1,097,733                          | 521,890   |
| Charge to profit or loss              | (441,549)                          | -   |
| Charge to OCI                         | <u>(578,440)</u>                   | <u>(578,440)</u>  |
| Asset/(liability) at 31 December 2021 | <u>77,744</u>                      | <u>(56,550)</u>   |

There are unprovided losses in the group with a value of £3,715,024 that have not had deferred tax assets recognised due to the uncertainty of the utilisation of these losses in the short term.

Deferred tax on accelerate capital allowances are expected to unwind over the asset lives, with short term timing differences expected to unwind in 12 months.

### 24 Retirement benefit schemes

| Defined contribution schemes  | 2021<br>£      | 2020<br>£      |
|---|----------------|----------------|
| Charge to profit or loss in respect of defined contribution schemes | <u>627,291</u> | <u>769,710</u> |

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £627,291 (2020: £769,710).

Contributions totalling £61,516 (2020: £nil) were payable to the fund at the balance sheet date and are included in creditors. The Group operates a Defined Benefit Pension Scheme. The assets of the scheme are held separately from those of the Group in an independent administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £nil (2020: £nil).

The assets of the scheme are held separately from those of the funds of the Company and together with contributions, are invested in managed funds whereby the value of the funds are directly linked to the value of the underlying investments. The latest actuarial valuation of the scheme was 1 January 2021.

# LUCIDEON GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

### 24 Retirement benefit schemes (Continued)

Contributions payable to the fund at the balance sheet date are included in creditors. In addition, certain employees are members of the Lucideon Group Pension Scheme (formerly British Ceramic Research Limited Pension and Life Assurance Scheme (1975)) which provides benefits based on final pensionable salary. The scheme is a funded defined benefit scheme.

The Lucideon Group Pension Scheme does not have a contractual agreement or stated policy as to which group entities are liable for pension scheme liabilities. Therefore under section 28 of FRS 102, the assets and liabilities of the scheme are recorded within the individual financial statements of the entity with legal responsibility for the scheme which is consistent with the ultimate parent company, being Lucideon Group Limited.

#### Defined benefit schemes

|  | 2021 | 2020  |
|--|------|-------|
| <i>Key assumptions</i>                             | %    | %     |
| Discount rate                                      | 1.9  | 1.3   |
| Expected rate of increase of pensions in payment   | 2.9  | 2.2   |
| Expected rate of salary increases                  | 2.9  | 2.2   |
| Assumed retirement age for active members          | 65   | 63.75 |
| Pension increases in payment - CPI, capped at 2.5% | 2.2  | 1.8   |
| Pension increases in payment - CPI, capped at 3%   | 2.4  | 2     |
| Pension increases in payment - CPI, capped at 5%   | 2.9  | 2     |
| Mortality rates                                    |      |       |
| - for a male aged 65 now                           | 86   | 86    |
| - at 65 for a male aged 45 now                     | 87   | 87    |
| - for a female aged 65 now                         | 88   | 88    |
| - at 65 for a female member aged 45 now            | 89   | 89    |

# LUCIDEON GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

### 24 Retirement benefit schemes (Continued)

The amounts included in the statement of financial position arising from the company's obligations in respect of defined benefit plans are as follows:

|                             | Group        |                          | Company      |                          |
|-----------------------------|--------------|--------------------------|--------------|--------------------------|
|                             | 2021         | 2020                     | 2021         | 2020                     |
|                             | £            | £                        | £            | £                        |
|                             |              | (Restated – see note 31) |              | (Restated – see note 31) |
| Defined benefit obligation  | (35,169,000) | (36,637,000)             | (35,169,000) | (36,637,000)             |
| Scheme assets               | 35,517,000   | 33,885,000               | 35,517,000   | 33,885,000               |
| Derecognition of surplus    | (121,800)    | -                        | (121,800)    | -                        |
| Surplus/(Deficit) in scheme | 226,200      | (2,752,000)              | 226,200      | (2,752,000)              |

*Movements in the present value of defined benefit obligations*

**Group 2021  
(Restated)  
£**

|                              |                   |
|------------------------------|-------------------|
| At 1 January 2021 (Restated) | 36,637,000        |
| Benefits paid                | (1,033,000)       |
| Actuarial gains and losses   | (875,000)         |
| Interest cost                | 440,000           |
| At 31 December 2021          | <u>35,169,000</u> |

*The defined benefit obligations arise from plans funded as follows:*

**Group  
2021  
£**

|                                   |                |
|-----------------------------------|----------------|
| Fair value of plan assets         | 35,517,000     |
| Present value of plan liabilities | (35,169,000)   |
| Withholding tax                   | (121,800)      |
| Surplus                           | <u>348,000</u> |

**226,200**

*Movements in the fair value of plan assets*

**Group  
2021  
£**

|                     |                   |
|---------------------|-------------------|
| At 1 January 2021   | 33,885,000        |
| Actuarial gain      | 2,231,000         |
| Interest income     | 434,000           |
| Benefits paid       | (1,033,000)       |
| At 31 December 2021 | <u>35,517,000</u> |

The interest on obligation for the year was £6,000 (2020: £5,000). The cumulative amount of actuarial gains and losses recognised in the Consolidated Statement of Comprehensive Income was £3,106,000 (2020: Loss of £216,000).



# LUCIDEON GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

### 24 Retirement benefit schemes (Continued)

The analysis of the scheme assets at the reporting date were as follows:

|                                  | Group<br>2021<br>£ | 2020<br>£         |
|----------------------------------|--------------------|-------------------|
| Total return funds               | 28,875,321         | 26,430,000        |
| Liability driven investment fund | 5,931,339          | 6,608,000         |
| Insured pensions                 | 532,755            | 644,000           |
| Cash/net current assets          | 177,585            | 203,000           |
|                                  | <u>35,517,000</u>  | <u>33,885,000</u> |

### 25 Share capital

|   | Group and Company |                   |              |              |
|---|-------------------|-------------------|--------------|--------------|
|   | 2021<br>Number    | 2020<br>Number    | 2021<br>£    | 2020<br>£    |
| <b>Ordinary share capital</b>             |                   |                   |              |              |
| <b>Issued and fully paid</b>              |                   |                   |              |              |
| 20,000,000 ordinary shares of 0.01p each  | 20,000,000        | 20,000,000        | 2,000        | 2,000        |
| 5,000,000 A ordinary shares of 0.01p each | 5,000,000         | 5,000,000         | 500          | 500          |
|   | <u>25,000,000</u> | <u>25,000,000</u> | <u>2,500</u> | <u>2,500</u> |

All shares are entitled to one vote in any circumstances and each share is entitled to dividend payments or any other distribution, including a distribution from winding up the company.

### 26 Cash generated from group operations

|   | 2021<br>£      | 2020<br>£        |
|---|----------------|------------------|
| Profit for the year after tax                       | 2,052,827      | 467,674          |
| <b>Adjustments for:</b>                             |                |                  |
| Amortisation of intangible assets                   | (1,267)        | (91,287)         |
| Depreciation of tangible assets                     | 1,007,852      | 1,100,422        |
| Profit on disposal of tangible assets               | (3,591)        | (56,279)         |
| Other finance expense                               | 6,000          | 5,000            |
| Interest paid                                       | 215,093        | 216,770          |
| Interest received                                   | -              | (4,841)          |
| Taxation charge/(credit)                            | 11,116         | (339,484)        |
| Increase in stocks                                  | (18,418)       | (16,474)         |
| Decrease/(Increase) in debtors                      | 144,404        | (1,244,514)      |
| (Decrease)/Increase in creditors                    | (708,388)      | 2,482,014        |
| Share based payment charge                          | 18,000         | 88,000           |
| Research and development tax credit                 | (287,560)      | -                |
| Corporation tax (paid)/received                     | (133,442)      | 252,079          |
| Allocation of time and resources to pooled research | (1,521,916)    | (1,022,144)      |
| Foreign exchange gains and losses                   | -              | 168,824          |
| <b>Net cash generated for operating activities</b>  | <u>780,710</u> | <u>2,005,760</u> |

# LUCIDEON GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

### 27 Analysis of changes in net funds - group

|                          | 1 January<br>2021<br>£ | Cash flows<br>£ | Other non-<br>cash changes<br>£ | 31 December<br>2021<br>£ |
|--------------------------|------------------------|-----------------|---------------------------------|--------------------------|
| Cash at bank and in hand | 7,038,798              | (3,713,476)     | -                               | 3,325,322                |
| Debt due after 1 year    | (4,635,051)            | 3,138,497       | 291,507                         | (1,205,047)              |
| Debt due within 1 year   | (481,328)              | 481,328         | (291,507)                       | (291,507)                |
| Finance leases           | (313,845)              | 70,927          | (318,568)                       | (561,486)                |
|                          | <u>1,608,574</u>       | <u>(22,724)</u> | <u>(318,568)</u>                | <u>1,267,282</u>         |

The non cash movement of £318,568 relates to a new finance lease entered into during the year.

### 28 Operating lease commitments

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

|                            | Group<br>2021<br>£ | 2020<br>£        | Company<br>2021<br>£ | 2020<br>£ |
|----------------------------|--------------------|------------------|----------------------|-----------|
| Within one year            | 771,875            | 94,379           | -                    | -         |
| Between one and five years | 3,187,965          | 1,406,929        | -                    | -         |
| In over five years         | 1,787,500          | 1,555,651        | -                    | -         |
|                            | <u>5,747,340</u>   | <u>3,056,959</u> | <u>-</u>             | <u>-</u>  |

### 29 Reserves

#### Other Reserves

Other reserves relate to the gift of shares to a shareholder.

#### Share-based payment reserve

The share-based payment reserve represents all share-based payment charges less amounts transferred to retained earnings on exercise of share options.

#### Profit and loss account

Profit and loss account represents cumulative profits and losses, net of distributions and other adjustments.

### 30 Related party transactions

During the year, the Group paid rent to Mr A Kinsella, a Director, totaling £15,725 (2020: £16,721). There was £nil balance payable at the balance sheet date (2020: £nil).

Included within other debtors due within one year is a loan to a director, amounting to £156,068 (2020: £153,750). Amounts repaid during the year totalled £nil (2020: £nil). The loan is interest bearing with the total interest charged in the period being £2,318 (2020: £979). The maximum overdrawn balance during the year was £156,068 (2020: £153,570).

# LUCIDEON GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

### 31 Prior year adjustment

The results for 2020 and previous years have been restated as shown below. Errors in actuarial valuations of the pension scheme for previous years have been identified through the current year actuarial valuation report of the Company's defined benefit pension scheme. The impact of this restatement is noted below:

| Group                                       | 2020<br>(Original)<br>£ | Historic errors in<br>pension scheme<br>valuation | 2020<br>(Restated)<br>£ |
|---|-------------------------|---|-------------------------|
| Deferred tax debtor                         | 658,643                 | 439,090   | 1,097,733               |
| Pension liability                           | (441,000)               | (2,311,000)                                       | (2,752,000)             |
| Profit and loss account at 1 January 2020   | 5,434,802               | (1,871,910)                                       | 3,562,892               |
| Profit and loss account at 31 December 2020 | 5,869,114               | (1,871,910)                                       | 3,997,204               |

| Company                                     | 2020<br>(Original)<br>£ | Historic errors in<br>pension scheme<br>valuation | 2020<br>(Restated)<br>£ |
|---|-------------------------|---|-------------------------|
| Deferred tax debtor                         | 82,800                  | 439,090   | 521,890                 |
| Pension liability                           | (441,000)               | (2,311,000)                                       | (2,752,000)             |
| Profit and loss account at 1 January 2020   | (1,633,007)             | (1,871,910)                                       | (3,504,917)             |
| Profit and loss account at 31 December 2020 | 2,867,098               | (1,871,910)                                       | 995,188                 |

### 32 Capital commitment

The Group had capital commitments of £209,424 (2020: £nil) for the acquisition of plant and machinery at the balance sheet date.

### 33 Controlling party

In the opinion of the Directors, the Company is controlled by Beechfields (Stoke) Limited Employee Benefit Trust by virtue of its shareholding.