

Lucideon Limited

Directors' Report and Financial Statements

For the Period Ended 31 December 2015

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ACCOUNTANTS

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COMPANIES HOUSE

Lucideon Limited

Company Information

Directors

Mr A Kinsella
Dr G J Edgell
Mr M A Fawcett (appointed 3 August 2015)

Company secretary

Mr M A Fawcett

Registered number

01960455

Registered office

Queens Road
Penkhull
Stoke on Trent
Staffordshire
ST4 7LQ

Independent auditors

Dains LLP
Suite 2, Albion House
2 Etruria Office Village
Forge Lane
Etruria
Stoke on Trent
ST1 5RQ

Bankers

National Westminster Bank Plc
Regent Road
Hanley
Stoke on Trent
ST1 3SJ

Solicitors

Freeths
Federation House
Station Road
Stoke on Trent
ST4 2SA

Lucideon Limited

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Strategic Report
For the Period Ended 31 December 2015

Strategy

The Company continues to review and develop its strategic plan - which still focuses on organic and acquisitive growth. One key planned area of growth has been developing technologies - intellectual property - that can have significant impact for our clients in their businesses. We have continued to invest heavily and those investments are beginning to bear fruit. The intention is to secure the long term sustainability of the Company.

Business review

2015 was another year of investment in equipment and people. The period results reflect the development of this investment for the future. The aim is 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 policy of finding and recruiting new technical talent continued apace, as did our focus on adding leadership and management skills.

Cash balances held by the Company at the end of the final period amounted to £2.6 million compared to £4.1 million held at the end of the previous period, a decrease of £1.5 million. However, during the previous financial period, the Company received £2.0 million in advance in respect of government funded projects and the figure included as deferred government grant within creditors falling due within one year is £0.5 million.

Principal risks and uncertainties

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 nature of the business - and that gives rise to continuing short term uncertainties in terms of monthly trading performance. The closed and frozen defined benefit scheme continues to weigh heavily in terms of both cash costs and ever changing liabilities.

Financial key performance indicators

Cash was consumed in capital investments in 2015. The Management Team have continued to focus on developing a portfolio of Key Performance Indicators which will be used to drive the business in the future.

Training and development

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

Financial systems

Recent audits have clearly demonstrated the robustness of financial systems, and we continue to look for new opportunities for tighter control. There is a growing systemisation of Group based control measures.

This report was approved by the board on 24 March 2016 and signed on its behalf.



Mr M A Fawcett
Director

**Directors' Report
For the Period Ended 31 December 2015**

The directors present their report and the financial statements for the period ended 31 December 2015.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

Results and dividends

The loss for the period, after taxation, amounted to £656,785 (2015 - profit £452,910).

Directors

The directors who served during the period were:

Mr A Kinsella
Dr G J Edgell
Mr M A Fawcett (appointed 3 August 2015)

Future developments

The business had previously decided to enter the market for testing of orthopaedic implants and also to create a new division focused on Pharmaceutical Testing - chemistry and microbiology. The Governing Board approved significant capital and human investments for these capabilities and during the period we have brought those services into operation. Acquisition targets continue to be developed. We are planning to continue the policy of overseas expansion and to source investment capital for significant acquisitions.

**Directors' Report
For the Period Ended 31 December 2015**

Research and development activities

The Company has a well planned and managed R&D activity, focused always on the current and future needs of clients. Key technology areas in the low energy sintering of ceramics, inorganic controlled release drug systems and safe waste encapsulation systems are just some of the key technologies being worked on. These technologies began to be commercialised in late 2014 as technological hurdles were overcome and progress has continued in 2015.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

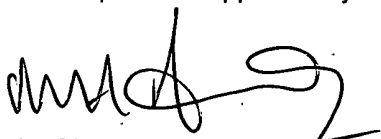
Post balance sheet events

There have been no significant events affecting the company since the year end.

Auditors

The auditors, Dains LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 24 March 2016 and signed on its behalf.



Mr M A Fawcett
Director

Independent Auditors' Report to the Shareholders of Lucideon Limited

We have audited the financial statements of Lucideon Limited for the period ended 31 December 2015, set out on pages 6 to 34. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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

Respective responsibilities of Directors and Auditors

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

Scope of the audit of the financial statement

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Lucideon Limited

Independent Auditors' Report to the Shareholders of Lucideon Limited

Matters on which we are required to report by exception

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

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



Jonathan Dudley (Senior statutory auditor)

for and on behalf of

Dains LLP

Statutory Auditor
Chartered Accountants

Suite 2, Albion House
2 Etruria Office Village
Forge Lane
Etruria
Stoke on Trent
ST1 5RQ

Date:

24 March 2016

**Statement of Income and Retained Earnings
For the Period Ended 31 December 2015**

		9 month period ended 31 December 2015 £	3 month period ended 31 March 2015 £
	Note		
Turnover		7,458,240	3,181,899
Change in stocks of finished goods and work in progress		(683,224)	(281,624)
Other operating income		436,081	224,978
Other external charges		(2,884,482)	(1,000,025)
Staff costs		(4,283,720)	(1,367,660)
Depreciation and amortisation		(776,253)	(243,703)
Operating (loss)/profit		(733,358)	513,865
Interest receivable and similar income		1,223	8,041
Interest payable and expenses	10	(1,162)	(865)
(Loss)/profit before tax		(733,297)	521,041
Tax on (loss)/profit	11	76,512	(68,131)
(Loss)/profit after tax		(656,785)	452,910

Lucideon Limited

Statement of Income and Retained Earnings (continued)
For the Period Ended 31 December 2015

	9 month period ended 31 December 2015 £	3 month period ended 31 March 2015 £
Retained earnings at the beginning of the period	2,708,258	2,255,348
(Loss)/profit for the period	(656,785)	452,910
Retained earnings at the end of the period	<u>2,051,473</u>	<u>2,708,258</u>

The notes on pages 10 to 34 form part of these financial statements.

Balance Sheet
As at 31 December 2015

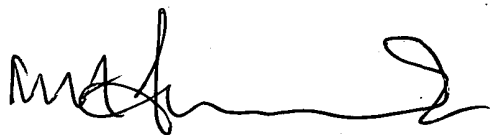
	Note	31 December 2015 £	31 March 2015 £
Fixed assets			
Tangible assets	13	4,807,327	5,120,156
Investments	14	698,134	698,134
		<u>5,505,461</u>	<u>5,818,290</u>
Current assets			
Stocks	15	400,790	393,815
Debtors: Amounts falling due after more than one year	16	982,458	779,805
Debtors: Amounts falling due within one year	16	3,196,384	3,483,306
Cash at bank and in hand		2,562,288	4,075,685
		<u>7,141,920</u>	<u>8,732,611</u>
Creditors: Amounts falling due within one year	17	(2,315,955)	(3,662,923)
Net current assets		<u>4,825,965</u>	<u>5,069,688</u>
Total assets less current liabilities		<u>10,331,426</u>	<u>10,887,978</u>
Creditors: Amounts falling due after more than one year	18	(157,705)	(6,305)
Provisions for liabilities			
Deferred tax	22	-	(51,167)
		<u>-</u>	<u>(51,167)</u>
Net assets		<u><u>10,173,721</u></u>	<u><u>10,830,506</u></u>

Lucideon Limited
Registered number:01960455

Balance Sheet (continued)
As at 31 December 2015

	Note	31 December 2015 £	31 March 2015 £
Capital and reserves			
Called up share capital	24	8,122,248	8,122,248
Profit and loss account	23	2,051,473	2,708,258
		<u>10,173,721</u>	<u>10,830,506</u>

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



Mr M A Fawcett
Director

Date: 24 March 2016

The notes on pages 10 to 34 form part of these financial statements.

**Notes to the Financial Statements
For the Period Ended 31 December 2015**

1. General information

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

The change of year end has arisen to bring the company in line with historic preferences.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

Information on the impact of first-time adoption of FRS 102 is given in note 29.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Lucideon Group Limited as at 31 December 2015 and these financial statements may be obtained from Queens Road, Penkull, Stoke on Trent, ST4 7LQ.

**Notes to the Financial Statements
For the Period Ended 31 December 2015**

2: Accounting policies (continued)

2.3 Revenue

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

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 costs incurred and the costs to complete the contract can be measured reliably.

2.4 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

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

2.5 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.

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Notes to the Financial Statements
For the Period Ended 31 December 2015

2. Accounting policies (continued)

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

The estimated useful lives range as follows:

Freehold property	-	40 years straight line
Plant & machinery	-	3 - 10 years straight line
Fixtures & fittings	-	5 - 10 years 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 within 'other operating income' in the Statement of Income and Retained Earnings.

2.6 Operating leases: Lessee

Rentals paid under operating leases are charged to the profit or loss on a straight line basis over the period of the lease.

2.7 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

Investments in unlisted company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Profit and Loss Account for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

Investments in listed company shares are remeasured to market value at each Balance sheet date. Gains and losses on remeasurement are recognised in profit or loss for the period.

2.8 Stocks

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

At each 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.

**Notes to the Financial Statements
For the Period Ended 31 December 2015**

2. Accounting policies (continued)

2.9 Debtors

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

2.10 Cash and cash equivalents

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

**Notes to the Financial Statements
For the Period Ended 31 December 2015**

2. Accounting policies (continued)

2.11 Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Investments in non-convertible preference shares and in non-puttable ordinary and preference shares are measured:

- i) at fair value with changes recognised in the Profit and loss account if the shares are publicly traded or their fair value can otherwise be measured reliably;
- ii) at cost less impairment for all other investments.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Profit and loss account.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

**Notes to the Financial Statements
For the Period Ended 31 December 2015**

2. Accounting policies (continued)

2.12 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.13 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 the Profit and loss account 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 Profit and loss account in the same period as the related expenditure.

2.14 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

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

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

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 the Profit and loss account except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Profit and loss account within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Profit and loss account within 'other operating income'.

2.15 Finance costs

Finance costs are charged to the Profit and loss account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

**Notes to the Financial Statements
For the Period Ended 31 December 2015**

2. Accounting policies (continued)

2.16 Leased assets: Lessee

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to profit or loss over the shorter of estimated useful economic life and the term of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit or loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

2.17 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the Profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the company in independently administered funds

Group pension plan

Where the risks of a defined benefit plan are shared between entities under common control, the net defined benefit cost is recognised in the financial statements of the Group entity which is legally responsible for the plan and all other Group entities recognise a cost equal to their contribution payable for the period.

**Notes to the Financial Statements
For the Period Ended 31 December 2015**

2. Accounting policies (continued)

2.18 Interest income

Interest income is recognised in the Profit and loss account using the effective interest method.

2.19 Borrowing costs

All borrowing costs are recognised in the Profit and loss account in the period in which they are incurred.

2.20 Provisions for Liabilities

Provisions are made where an event has taken place that gives the company 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 the Profit and loss account in the year that the company becomes aware of the obligation, and are measured at the best estimate at the Balance sheet 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 Balance sheet.

2.21 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Profit and loss account, except that a change 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 operates and generates income.

Deferred 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; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

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 income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

**Notes to the Financial Statements
For the Period Ended 31 December 2015**

2. Accounting policies (continued)

2.22 Research and development

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.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

The recognition of revenue that has not yet been invoiced.

Notes to the Financial Statements
For the Period Ended 31 December 2015

4. Analysis of turnover

An analysis of turnover by class of business is as follows:

	9 month period ended 31 December 2015 £	3 month period ended 31 March 2015 £
Rendering of services	7,458,240	3,181,899
	<u>7,458,240</u>	<u>3,181,899</u>

Analysis of turnover by country of destination:

	9 month period ended 31 December 2015 £	3 month period ended 31 March 2015 £
United Kingdom	5,463,009	2,112,551
Rest of Europe	928,663	410,559
Rest of the world	1,066,568	658,789
	<u>7,458,240</u>	<u>3,181,899</u>

During the period, the company has sold the trade from a division. During the period this trade generated income of £148,000 (March 2015 - £62,000) and a trading loss of £42,000 (March 2015 - profit £13,000).

Notes to the Financial Statements
For the Period Ended 31 December 2015

5. Other operating income

	9 month period ended 31 December 2015 £	3 month period ended 31 March 2015 £
Research and development expenditure credit	156,367	110,000
Research and development expenditure set off amount	(55,431)	-
Net rents receivable	21,219	7,058
Management charges receivable	313,926	107,920
	<u>436,081</u>	<u>224,978</u>

6. Operating (loss)/profit

The operating (loss)/profit is stated after charging:

	9 month period ended 31 December 2015 £	3 month period ended 31 March 2015 £
Depreciation of tangible fixed assets		
- owned by the company	750,046	230,415
- held under finance lease	26,206	13,288
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	28,000	18,000
Exchange differences	(12,286)	(2,456)
Operating lease rentals:		
- plant and machinery	53,346	16,321
Defined contribution pension cost	356,568	114,411
Defined benefit pension cost	217,541	79,951

Fees payable to the company's auditor for other services have not been disclosed as the relevant information is given in the accounts of Lucideon Group Limited, the ultimate parent company.

Notes to the Financial Statements
For the Period Ended 31 December 2015

7. Employees

Staff costs, including directors' remuneration, were as follows:

	9 month period ended 31 December 2015 £	3 month period ended 31 March 2015 £
Wages and salaries	3,363,603	1,068,623
Social security costs	346,008	104,675
Cost of defined benefit scheme	217,541	79,951
Cost of defined contribution scheme	356,568	114,411
	<u>4,283,720</u>	<u>1,367,660</u>

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

	9 month period ended 31 December 2015 No.	3 month period ended 31 March 2015 No.
Directors	3	2
Technical	93	95
Support	41	40
Part-time	19	20
	<u>156</u>	<u>157</u>

**Notes to the Financial Statements
For the Period Ended 31 December 2015**

8. Directors' and key management remuneration

	9 month period ended 31 December 2015 £	3 month period ended 31 March 2015 £
Directors' emoluments	197,227	46,265
Company contributions to defined contribution pension schemes	23,333	3,970
	<u>220,560</u>	<u>50,235</u>

During the period retirement benefits were accruing to 2 directors (March 2015 - 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £80,041 (March 2015 - £46,265).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £13,500 (March 2015 - £3,970).

9. Interest receivable

	9 month period ended 31 December 2015 £	3 month period ended 31 March 2015 £
Interest receivable from group companies	-	6,390
Other interest receivable	1,223	1,651
	<u>1,223</u>	<u>8,041</u>

10. Interest payable and similar charges

	9 month period ended 31 December 2015 £	3 month period ended 31 March 2015 £
Finance leases and hire purchase contracts	1,162	865
	<u>1,162</u>	<u>865</u>

**Notes to the Financial Statements
For the Period Ended 31 December 2015**

11. Taxation

	9 month period ended 31 December 2015 £	3 month period ended 31 March 2015 £
Corporation tax		
Current tax on profits for the year	-	3,022
Group taxation relief	(25,345)	-
Total current tax	(25,345)	3,022
Deferred tax		
Origination and reversal of timing differences	(51,167)	65,109
Total deferred tax	(51,167)	65,109
Taxation on (loss)/profit on ordinary activities	(76,512)	68,131

**Notes to the Financial Statements
For the Period Ended 31 December 2015**

11. Taxation (continued)

Factors affecting tax charge for the period

The tax assessed for the period is higher than (March 2015 - lower than) the standard rate of corporation tax in the UK of 20% (March 2015 - 21%). The differences are explained below:

	9 month period ended 31 December 2015 £	3 month period ended 31 March 2015 £
Profit on ordinary activities before tax	(733,296)	521,041
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (March 2015 - 21%)	(146,659)	109,419
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	4,395	-
Capital allowances for period in excess of depreciation	19,048	7,228
Utilisation of tax losses	-	(80,792)
Short term timing difference leading to an increase (decrease) in taxation	-	(43)
Other timing differences leading to an increase (decrease) in taxation	-	65,109
Non-taxable income	(51,119)	(6,899)
Adjustment in research and development tax credit leading to an increase (decrease) in the tax charge	(99,612)	(25,742)
Unrelieved tax losses carried forward	172,011	-
Marginal relief	-	(149)
Change in deferred tax	25,424	-
Total tax charge for the period	(76,512)	68,131

Factors that may affect future tax charges

The company has tax losses carried forward of £1,730,266 affecting future tax charges.

**Notes to the Financial Statements
For the Period Ended 31 December 2015**

12. Intangible assets

	Goodwill
	£
Cost	
At 1 April 2015	174,680
Disposals	(174,680)
At 31 December 2015	-
Amortisation	
At 1 April 2015	174,680
On disposals	(174,680)
At 31 December 2015	-
Net book value	
At 31 December 2015	-
At 31 March 2015	-

Notes to the Financial Statements
For the Period Ended 31 December 2015

13. Tangible fixed assets

	Freehold property £	Plant & machinery £	Fixtures & fittings £	Total £
Cost or valuation				
At 1 April 2015	5,377,500	14,896,102	230,624	20,504,226
Additions	12,885	386,182	64,355	463,422
At 31 December 2015	5,390,385	15,282,284	294,979	20,967,648
Depreciation				
At 1 April 2015	2,861,760	12,402,287	120,023	15,384,070
Charge owned for the period	95,240	643,368	11,438	750,046
Charge financed for the period	-	26,206	-	26,206
At 31 December 2015	2,957,000	13,071,861	131,461	16,160,322
At 31 December 2015	2,433,385	2,210,423	163,518	4,807,326
At 31 March 2015	2,515,740	2,493,815	110,601	5,120,156

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	31 December 2015 £	31 March 2015 £
Plant and machinery	9,542	37,179
	9,542	37,179

Notes to the Financial Statements
For the Period Ended 31 December 2015

14. Fixed asset investments

	Investments in subsidiary companies £	Unlisted investments £	Total £
Cost or valuation			
At 1 April 2015	651,428	93,706	745,134
At 31 December 2015	651,428	93,706	745,134
Impairment			
At 1 April 2015	-	47,000	47,000
At 31 December 2015	-	47,000	47,000
At 31 December 2015	651,428	46,706	698,134
At 31 March 2015	651,428	46,706	698,134
Subsidiary undertakings			

The following were subsidiary undertakings of the company:

Name	Country of incorporation	Class of shares	Holding	Principal activity
Lucideon M&P Lab Inc	United States of America	Ordinary	100 %	Scientific testing and consulting

15. Stocks

	31 December 2015 £	31 March 2015 £
Raw materials and consumables	337,930	335,282
Finished goods and goods for resale	62,860	58,533
	400,790	393,815

**Notes to the Financial Statements
For the Period Ended 31 December 2015**

16. Debtors

	31 December 2015 £	31 March 2015 £
Due after more than one year		
Amounts owed by group undertakings	982,458	779,805
	982,458	779,805
Due within one year		
Trade debtors	1,528,600	1,882,533
Amounts owed by group undertakings	423,055	538,509
Other debtors	167,596	3,377
Prepayments and accrued income	433,938	477,264
Amounts recoverable on long term contracts	416,534	429,839
Tax recoverable	226,661	151,784
	3,196,384	3,483,306

Included within other debtors due within one year is a loan to A Kinsella, a director, amounting to £135,310 (March 2015 - £NIL). Amounts repaid during the period totalled £20,000. The main conditions were as follows:

Interest is charged at 3% above the base rate and the loan is due within 12 months of the balance sheet date.

**Notes to the Financial Statements
For the Period Ended 31 December 2015**

17. Creditors: Amounts falling due within one year

	31 December 2015 £	31 March 2015 £
Bank loans	25,687	-
Payments received on account	568,140	362,399
Trade creditors	295,924	414,285
Amounts owed to group undertakings	36,085	26,281
Taxation and social security	301,065	259,339
Obligations under finance lease and hire purchase contracts	10,005	28,217
Deferred government grants	459,630	2,040,447
Accruals and deferred income	619,419	531,955
	<u>2,315,955</u>	<u>3,662,923</u>

Two bank loans with NatWest 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.

Secured loans

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

18. Creditors: Amounts falling due after more than one year

	31 December 2015 £	31 March 2015 £
Bank loans	157,705	-
Net obligations under finance leases and hire purchase contracts	-	6,305
	<u>157,705</u>	<u>6,305</u>

Secured loans

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

**Notes to the Financial Statements
For the Period Ended 31 December 2015**

19. Loans

Analysis of the maturity of loans is given below:

	31 December 2015 £	31 March 2015 £
Amounts falling due within one year		
Bank loans	25,687	-
	25,687	-
Amounts falling due 2-5 years		
Bank loans	111,098	-
	111,098	-
Amounts falling due after more than 5 years		
Bank loans	46,607	-
	46,607	-

20. Hire purchase & finance leases

Minimum lease payments under hire purchase fall due as follows:

	31 December 2015 £	31 March 2015 £
Within one year	28,217	40,648
Between 1-2 years	-	6,305
	28,217	46,953

Notes to the Financial Statements
For the Period Ended 31 December 2015

21. Financial instruments

	31 December 2015 £	31 March 2015 £
Financial assets		
Financial assets that are debt instruments measured at amortised cost	3,148,415	3,250,930
	<u>3,148,415</u>	<u>3,250,930</u>
Financial liabilities		
Financial liabilities measured at amortised cost	(1,594,450)	(3,012,969)
	<u>(1,594,450)</u>	<u>(3,012,969)</u>

22. Deferred taxation

	Deferred tax £
At 1 April 2015	(51,167)
Utilised in year	51,167
At 31 December 2015	<u>-</u>

The provision for deferred taxation is made up as follows:

	31 December 2015 £	31 March 2015 £
Accelerated capital allowances	(101,024)	(125,940)
Tax losses carried forward	87,347	59,861
Short term timing differences	13,677	14,912
	<u>-</u>	<u>(51,167)</u>

**Notes to the Financial Statements
For the Period Ended 31 December 2015**

23. Reserves

Profit & loss account

The profit and loss account represents cumulative profits and losses, net of dividends paid and other adjustments.

24. Share capital

	31 December 2015 £	31 March 2015 £
Allotted, called up and fully paid		
8,122,248 Ordinary shares of £1 each	8,122,248	8,122,248

Each share is entitled to one vote in any circumstances and each share is also entitled pari passu to dividend payments or any other distribution, including a distribution arising from a winding up of the company.

25. Pension commitments

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £356,568 (March 2015 - £114,411).

At the balance sheet date contributions of £9,494 (March 2015 - £nil) were payable to the fund.

Defined benefit pension scheme

In addition, other employees are members of the 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 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 2015.

British Ceramic Research Limited Pension and Life Assurance Scheme (1975) 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 individual financial statements of the entity with legal responsibility for the scheme which is consistent with the ultimate parent company as per note 28.

The pension cost for the year in respect of this scheme represents contributions payable by the company amounting to £217,541 (March 2015 - £79,951).

The expected pension contributions payable for the period ended 31 December 2016 is £235,000.

**Notes to the Financial Statements
For the Period Ended 31 December 2015**

26. Commitments under operating leases

At 31 December 2015 the company had future minimum lease payments under non-cancellable operating leases as follows:

	31 December 2015 £	31 March 2015 £
Not later than 1 year	53,500	56,706
Later than 1 year and not later than 5 years	24,791	48,646
Total	78,291	105,352

27. Related party transactions

During the period, the company paid rent to A Kinsella, a Director, totalling \$10,800 which has been translated into sterling of £7,172 (period to 31 March 2015 - £nil). There was no balance payable at the balance sheet date (31 March 2015 - £nil).

At the balance sheet date £135,310 was due from A Kinsella, a Director, (31 March 2015 - £nil). This amount has been included within other debtors. Interest is charged at 3% above the base rate with the total interest charged in the period being £2,671.

The company has taken exemption from FRS 102 Section 33 from disclosing transactions between two or more members of a group on the basis that any subsidiary is wholly owned.

28. Controlling party

Until the 2 June 2015, the company was controlled by British Ceramic Research Limited, which was also the largest and smallest group for which consolidated accounts were prepared. In the opinion of the directors, British Ceramic Research Limited was the company's ultimate parent company and ultimate controlling party, being controlled by its members.

On the 2 June 2015, Lucideon Group Limited (formerly Beechfields (Stoke) Limited) became the sole member of British Ceramic Research Limited. Lucideon Group limited is now the largest and smallest group for which consolidated accounts are prepared. Consolidated accounts are available from Companies House. In the opinion of the directors, Lucideon Group Limited is the company's new ultimate parent company and ultimate controlling party, being controlled by the Beechfields (Stoke) Limited Employee Benefit Trust.

**Notes to the Financial Statements
For the Period Ended 31 December 2015**

29. First time adoption of FRS 102

The policies applied under the entity's previous accounting framework are not materially different to FRS 102 and have not impacted on equity or profit or loss.