Company Registration No. 06917133 (England and Wales)

COMPOUND PHOTONICS GROUP LIMITED

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2019

COMPOUND PHOTONICS GROUP LIMITED

COMPANY INFORMATION

Directors	A P A De Cort J P A Fletcher Y Valler R Jackson E Passon
Company number	06917133
Registered office	Riverbank House Swan Lane London EC4R 3TT
Auditor	RSM UK Audit LLP Chartered Accountants One London Square Cross Lanes Guildford Surrey GU1 1UN

COMPOUND PHOTONICS GROUP LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors present the strategic report for the year ended 31 December 2019.

Principal activity
The Company's principal activity continues to be that of a holding company for its group, details of the subsidiaries can be found in note 13.

The principal activity of Compound Photonics Group Limited and its subsidiaries (together, "the Group" or "CP") through 2019 was the development of compact high performance microdisplay solutions for augmented reality and mixed reality ("AR/MR") head mounted display applications.

Review of the business
The Group, through its subsidiaries, is bringing to market a suite of liquid crystal on silicon ("LCoS") microdisplays for the AR/MR market. Prototype and pre-production release versions of LCoS microdisplays shipped to potential customers and industry partners throughout 2020 with volume production earmarked for late 2021.

Microdisplays are a critical component that determines form factor, size, power consumption and optical performance of mainstream AR/MR glasses. CP is at the forefront of delivering a cutting edge, 3 micron pixel display drive technology & platform to customers in 2021.

During the course of 2019, the Group's main research and development ("R&D") efforts have been directed at:

- LCoS microdisplays;
- control electronics and software for such microdisplays; and
- microdisplay system assemblies.

In 2019 the Group determined that an in-house laser fabrication facility was strategically not aligned to the requirements of a microdisplay business. On 15 October 2019, the Group and its indirect wholly owned subsidiary Compound Photonics U.S. Corporation completed the sale of its Madison, Wisconsin facility, including trade and assets, to Daylight Solutions, Inc.

Turnover from operations was $1,285k, up from $993k in 2018.

Administrative expenses reduced through 2019 at $26.4m vs $27.8m in 2018 as a result of reduced R&D expenditure and sale of the Madison, WI facility in October 2019.

Research and development materials consumed decreased from $5.6m in 2018 to $4.3m in 2019, reflecting the transition of the product line from R&D and into prototype manufacturing.

Headcount decreased from 112 in December 2018 to 89 in December 2019 owing to the sale of the laser fabrication facility in Madison, WI.

The Group operates out of its USA facilities in Phoenix, Arizona and Vancouver, Washington.

Financing activities
Total new investment of $43.9m was raised in 2019 from the issue of Ordinary shares to its major shareholders, Aldon Investments Ltd & Minden Worldwide Limited. In July 2020 Compound Photonics US Corporation, a subsidiary of the Group, entered into a loan agreement with Aldon Investments Ltd and Norma Investments Limited. After the reporting date, during 2020 a total of $8.9m was drawn down from this loan agreement.

Key performance indicators ("KPIs")
The Group actively monitors the performance of delivery of its key development projects, customer engagements and financial metrics. Executives meet weekly to discuss the key articles that may affect the business's operation and performance. Business objectives and updates are cascaded through the organization through regular all-hands briefings. The Directors regard project deliverables and financial performance, including product costs and yields, as the key performance indicators of the business.

Principal risks, uncertainties and financial risk management
The Group's activities expose it to certain technological and financial risks. The principal risk for the business is in the development and market adoption of the microdisplays products.

CP's product development encompasses several key areas including:
- microdisplays;
- electronics;
- compact mechanical design and packing techniques for microdisplay assemblies; and
- software.

Each of these projects requires innovation in design, fabrication techniques, materials and process development as well as equipment creation or modification necessary to have a successful outcome.

There are inherent risks associated with potential failures or delays in such innovations which may lead to increased time and/or costs to product launch, but none of them is insurmountable. However, even though the Group mitigates this risk by having the necessary equipment and processes either in-house or through strategic partnerships with external organizations and the required knowledge has either been practised by staff for years or is within the capabilities of the highly-educated teams engaged on each project, there is no guarantee that technical challenges will not delay the Group's product launch. The Group further mitigates against these risks by close monitoring of the risks and progress of the development projects, taking action where necessary to address resource conflicts, schedule slippage and financial control.

The Group's income from sales and cash will be insufficient to sustain the Group until it reaches a cash positive position. As such one of the key risks facing the business is access to capital. The Group reviews financial performance and cash management on a monthly basis and maintains a close relationship with the financial supporters of the business. Ultimately the commercial success of the Group is somewhat dependent upon the growth in customer adoption of the new augmented reality technology and its adoption in the commercial market space.

Liquidity risk
Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Board receives information regarding cash balances on a monthly basis. Please refer to the going concern policy in the accounting polices of the financial statements for further information.

Foreign exchange
Foreign exchange risk arises when the Group enters into transactions denominated in a currency other than its functional currency.

The Group is predominantly exposed to currency risk on purchases made from suppliers based outside of the US. There are currently no specific measures in place to mitigate this risk other than keen price negotiation by the Group's experienced procurement team.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

It is Group policy, implemented locally, to assess the credit risk of new customers before entering into supply agreements. Each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval.

Research and development

The Group continues to invest in research and development. During 2018, certain research projects progressed to the development stage, as dictated by milestones outlined in the Compound Photonics Development Procedures. Through 2019 and into 2020 these projects continued to advance through the development cycle such that product realization and associated revenue is anticipated in 2021. On this basis, the Directors consider that these projects continue to meet the criteria required to capitalise the associated research and development costs and have therefore done so. Costs totalling $7.9m have been capitalised in the year in respect of these projects.

Future developments

The Group is advancing its product development programs so as to commercialise its LCoS microdisplay components in late 2021.

The Group is actively engaged with potential customers across the augmented and mixed reality display markets. Of interest to such operators is the Group's display system's small pixel size, small form factor and low latency.

Going concern

During 2019 $43.9m was raised from the issue of 28.7m ordinary shares. In 2020 the Group, through Compound Photonics US Corporation, drew down $8.9m from a loan agreement with Aldon Investments Ltd and Norma Investments Limited. A further $6.5m is available to the Group in 2021 from this loan facility.

Income from existing sales and cash will be insufficient to sustain the Group before reaching a cash positive position and therefore additional funding will be sought to support the Group's operational expenses and costs associated with realization of products that are targeted towards revenue generation from late 2021. As this long term funding has not yet been approved the Directors acknowledge that there is a material uncertainty related to these events, which may cast doubt on the Group's and the Company's ability to continue as a going concern.

The Group has faced this matter previously and always raised the required funds. The Directors are confident that additional funding will be raised within an appropriate timeframe as the existing investors have expressed an interest in continuing to fund the business and it is on that basis they continue to adopt the going concern basis of preparation.

On behalf of the board

....

R Jackson

Director

Date: 26th March 2021

COMPOUND PHOTONICS GROUP LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors present their annual report and financial statements for the year ended 31 December 2019.

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

A P A De Cort	
J P A Fletcher	
Y Valler	
N S Woo	(Resigned 18 May 2020)
R Jackson	(Resigned 11 March 2019 and reappointed 30 June 2020)
Y Wong	(Appointed 11 March 2019 and resigned 13 March 2020)
E Passon	(Appointed 30 June 2020)

Results and dividends
The results for the year are set out on page 9.

No ordinary dividends were paid. The Directors do not recommend payment of a further dividend.

Post reporting date events
Subsequent to the Company's financial year end, the World Health Organization (WHO) announced on 30 January 2020 a global health emergency related to a new strain of Coronavirus originating in Wuhan, China (Covid-19 outbreak) and the associated risks to international communities, and the global economy, as the virus spreads beyond its point of origin. On 11 March 2020, the WHO classified the Covid-19 outbreak as a pandemic due to a rapid increase in global exposures. These events are having a significant negative impact on global stock markets, currencies, and general business activities, however as these events did not exist at the balance sheet date, they are considered to be non-adjusting events. The timing and extent of the impact and recovery from the Covid-19 outbreak is unknown but may have an impact on the Company's activities in an uncertain global market, although as stated in note 1, the Company's operations were not significantly affected during 2020 and it is expected that the Company is well placed to overcome any such Covid-19 related challenges in the foreseeable future.

Auditor
The auditor, RSM UK Audit LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Strategic report
The Group has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the Group's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the Directors' report. It has done so in respect of risk management, research and development, and future developments.

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.

On behalf of the board

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R Jackson
Director

Date: 26th March 2021

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 COMPOUND PHOTONICS GROUP LIMITED

Opinion

We have audited the financial statements of Compound Photonics Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019 which comprise 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 a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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 the parent company's affairs as at 31 December 2019 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the 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.

Material uncertainty related to going concern

We draw attention to note 1 in the financial statements, which indicates that the group requires additional funds to finance the group's planned work programme and to fund working capital for a period of 12 months from the signing of these financial statements and is yet to be confirmed. As stated in note 1 these events or conditions, along with the other matters as set forth in note 1, indicate that a material uncertainty exists that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the 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 COMPOUND PHOTONICS GROUP LIMITED (CONTINUED)

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 6, 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://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.

RSM UK Audit LLP

Jonathan Da Costa FCCA (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
One London Square
Cross Lanes
Guildford
Surrey, GU1 1UN
31 March 2021

COMPOUND PHOTONICS GROUP LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 $'000	2018 $'000
Turnover	3	1,285	993
Cost of sales		(674)	(599)
Gross profit		611	394
Administrative expenses		(26,372)	(27,849)
Tax on loss	9	1,014	-
Loss for the financial year		(24,747)	(27,455)
Other comprehensive income net of taxation			
Currency translation differences		-	(1,164)
Total comprehensive income for the year		(24,747)	(28,619)

Loss for the financial year is all attributable to the owners of the parent company.

Total comprehensive income for the year is all attributable to the owners of the parent company.

Company Registration No. 06917133

COMPOUND PHOTONICS GROUP LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Notes	2019 $'000	2019 $'000	2018 $'000	2018 $'000
Fixed assets					
Intangible assets	**10**		14,015		10,037
Tangible assets	**11**		12,369		14,232
			26,384		24,269
Current assets					
Stocks	**14**	960		579	
Debtors	**15**	12,208		2,071	
Cash at bank and in hand		12,593		6,251	
		25,761		8,901	
Creditors: amounts falling due within one year	**16**	(2,259)		(2,488)	
Net current assets			23,502		6,413
Total assets less current liabilities			49,886		30,682
Creditors: amounts falling due after more than one year	**17**		(69)		(17)
Net assets			49,817		30,665
Capital and reserves					
Called up share capital	**18**		162		125
Share premium account	**19**		325,428		281,566
Merger reserve	**19**		8,022		8,022
Profit and loss reserves	**19**		(283,795)		(259,048)
Total equity			49,817		30,665

The financial statements were approved by the board of Directors and authorised for issue on 26th March 2021 and are signed on its behalf by:

....
R Jackson
Director

Company Registration No. 06917133

COMPOUND PHOTONICS GROUP LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Notes	2019 $'000	2019 $'000	2018 $'000	2018 $'000
Fixed assets					
Intangible assets	10		157		540
Investments	12		-		-
			157		540
Current assets					
Debtors	15	10,202		291	
Creditors: amounts falling due within one year	16	(205)		(195)	
Net current assets			9,997		96
Total assets less current liabilities			10,154		636
Capital and reserves					
Called up share capital	18		162		125
Share premium account	19		325,428		281,566
Merger reserve	19		8,022		8,022
Profit and loss reserves	19		(323,458)		(289,077)
Total equity			10,154		636

As permitted by s408 Companies Act 2006, the Company has not presented its own statement of comprehensive income and related notes as it prepares group financial statements. The Company's loss for the year was $34,381,000 (2018 - $30,078,000).

The financial statements were approved by the board of Directors and authorised for issue on 26th March 2021 and are signed on its behalf by:

....
R Jackson
Director

COMPOUND PHOTONICS GROUP LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Share capital	Share premium account	Merger reserve	Profit and loss reserves	Total
		$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2018		99	251,592	8,022	(230,429)	29,284
Year ended 31 December 2018:						
Loss for the year		-	-	-	(27,455)	(27,455)
Other comprehensive income net of taxation:						
Currency translation differences		-	-	-	(1,164)	(1,164)
Total comprehensive income for the year		-	-	-	(28,619)	(28,619)
Issue of share capital	**18**	26	29,974	-	-	30,000
Balance at 31 December 2018		125	281,566	8,022	(259,048)	30,665
Year ended 31 December 2019:						
Loss and total comprehensive income for the year		-	-	-	(24,747)	(24,747)
Issue of share capital	**18**	37	43,862	-	-	43,899
Balance at 31 December 2019		162	325,428	8,022	(283,795)	49,817

COMPOUND PHOTONICS GROUP LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Share capital $'000	Share premium account $'000	Merger reserve $'000	Profit and loss reserves $'000	Total $'000
Balance at 1 January 2018		99	251,592	8,022	(258,999)	714
Year ended 31 December 2018:						
Loss and total comprehensive income for the year		-	-	-	(30,078)	(30,078)
Issue of share capital	**18**	26	29,974	-	-	30,000
Balance at 31 December 2018		125	281,566	8,022	(289,077)	636
Year ended 31 December 2019:						
Loss and total comprehensive income for the year		-	-	-	(34,381)	(34,381)
Issue of share capital	**18**	37	43,862	-	-	43,899
Balance at 31 December 2019		162	325,428	8,022	(323,458)	10,154

COMPOUND PHOTONICS GROUP LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 $'000	2019 $'000	2018 $'000	2018 $'000
Cash flows from operating activities					
Cash absorbed by operations	**20**		(24,175)		(23,894)
Income taxes refunded/(paid)			1,014		-
Net cash outflow from operating activities			(23,161)		(23,894)
Investing activities					
Purchase of intangible assets		(5,464)		(8,158)	
Proceeds on disposal of intangibles		849		-	
Purchase of tangible fixed assets		(2,456)		(5,752)	
Proceeds on disposal of tangible fixed assets		2,675		-	
Net cash used in investing activities			(4,396)		(13,910)
Financing activities					
Proceeds from issue of shares		33,899		30,000	
Net cash generated from financing activities			33,899		30,000
Net increase/(decrease) in cash and cash equivalents			6,342		(7,804)
Cash and cash equivalents at beginning of year			6,251		14,055
Cash and cash equivalents at end of year			12,593		6,251

1 Accounting policies

Company information

Compound Photonics Group Limited ("the Company") is a private company limited by shares and is registered and incorporated in England and Wales. The registered office is Riverbank House, Swan Lane, London, EC4R 3TT.

The Group consists of Compound Photonics Group Limited and all of its subsidiaries.

The Company's and the Group's principal activities and nature of its operations are disclosed in the strategic report.

Accounting convention

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

The financial statements are prepared in US Dollars, which is the functional currency of the Group and the Company. Monetary amounts in these financial statements are rounded to the nearest $1,000, unless otherwise stated.

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

The Company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group. The Company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and 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 Compound Photonics Group Limited and all of its subsidiaries (i.e. entities that the Group controls through its power to govern the financial and operating policies so as to obtain economic benefits). 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 2019. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

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.

1 Accounting policies (Continued)

Going concern

During 2019 $43.9M was raised from the issue of 28.7M ordinary shares. In 2020 the Group, through Compound Photonics US Corporation, drew down $8.9M from a loan agreement with Aldon Investments Ltd and Norma Investments Limited. A further $6.5M is available to the Group in 2021 from this loan facility.

Income from existing sales and cash will be insufficient to sustain the Group before reaching a cash positive position and therefore additional funding will be sought to support the Group's operational expenses and costs associated with realization of products that are targeted towards revenue generation from late 2021. As this long term funding has not yet been approved, the Directors acknowledge that there is a material uncertainty related to these events which may cast doubt on the Group's and the Company's ability to continue as a going concern.

The Group has faced this matter previously and always raised the required funds. The Directors are confident that additional funding will be raised within an appropriate timeframe as the existing investors have expressed an interest in continuing to fund the business and it is on that basis they continue to adopt the going concern basis of preparation.

Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 10 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

1 Accounting policies (Continued)

Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

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

Software	20% straight line
Patents and licences	6.7% straight line
Development costs	Not amortised

Development costs are not amortised as the products to which these capitalised costs relate to have not yet gone to market.

Tangible fixed assets

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

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

Plant and equipment	10 years straight line with a 35% residual value
Fixtures and fittings	5 years straight line
Computers	5 years straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Fixed asset investments

In the separate financial statements of the Company, interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1 Accounting policies (Continued)

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

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

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

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

Stocks
Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Cost is determined using the first-in, first-out (FIFO) method.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

Cash and cash equivalents
Cash and cash equivalents are basic financial instruments and include cash in hand and deposits held at call with banks.

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 to all of its financial instruments.

Financial instruments are recognised when the Group becomes party to the contractual provisions of the instrument.

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

1 Accounting policies (Continued)

Basic financial assets
Basic financial assets, which include trade and other debtors, amounts due to fellow group companies and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

Impairment of financial assets
Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets
Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the Group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

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

Basic financial liabilities
Basic financial liabilities, including trade and other creditors, and amounts due from fellow group companies, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

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

Derecognition of financial liabilities
Financial liabilities are derecognised when, and only when, the Group's contractual obligations are discharged, cancelled, or they expire.

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 transaction costs, unless the equity instruments are issued to extinguish a financial liability due to a shareholder or a party under common control, or in accordance with the original terms of the financial liability.

1 Accounting policies (Continued)

Taxation
The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is recognised on income and expenses from subsidiaries, associates, branches and interests in jointly controlled entities, that will be assessed to or allow for tax in a future period except where the group is able to control the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future.

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

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

1 Accounting policies (Continued)

Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using the Black-Scholes pricing model. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity.

The expense in relation to options over the parent company's shares granted to employees of a subsidiary is recognised by the Company as a capital contribution, and presented as an increase in the Company's investment in that subsidiary.

When the terms and conditions of equity-settled share-based payments at the time they were granted are subsequently modified, the fair value of the share-based payment under the original terms and conditions and under the modified terms and conditions are both determined at the date of the modification. Any excess of the modified fair value over the original fair value is recognised over the remaining vesting period in addition to the grant date fair value of the original share-based payment. The share-based payment expense is not adjusted if the modified fair value is less than the original fair value.

Cancellations or settlements (including those resulting from employee redundancies) are treated as an acceleration of vesting and the amount that would have been recognised over the remaining vesting period is recognised immediately.

Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease.

Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

2 Judgements and key sources of estimation uncertainty

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

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

2 Judgements and key sources of estimation uncertainty (Continued)

Valuation of intangible and tangible assets

The annual amortisation charge is sensitive to any changes in the estimated useful life and residual values of intangible and tangible assets. The useful economic lives and residual values are assessed on an annual basis and are amended only when evidence shows a change in the estimated economic lives or residual life. Criteria used to assess the economic life and residual value includes technological advancement, economic utilisation, physical condition of the asset and future investments. Following their assessment and review in the current year, the Directors have determined no impairment in the current year is necessary.

Intercompany receivables recoverability

Estimates are made relating to the recoverability of intercompany receivable balances to reflect unrecoverable amounts due to known defaults, and defaults incurred but not reported at the year end, which from experience are known to exist. The Directors consider the solvency and future trading forecasts of subsidiaries to determine whether the Group company balances are impaired. The Directors have assessed a provision of $331,273000 (2018: $297,878,000) should be held against intercompany receivable balances outstanding at the reporting date, so an additional provision of $33,395,000 (2018: $28,728,000) was charged to the statement of comprehensive income during the year, and accordingly, this provision is reflected within these financial statements.

Capitalisation and amortisation of Research and Development (R&D)

In accordance with the milestones outlined in the Compound Photonics Development Procedures, any R&D costs which do not meet the criteria are expensed to profit or loss as incurred. During 2018, the Directors determined that certain research projects progressed to development stage, as dictated by milestones outlined in the Compound Photonics Development Procedures following the obtainment of certain approvals during the prior year. On this basis, the Directors consider that these projects have met the criteria required to capitalise research and development costs and therefore done so since. Costs totalling $5,464,000 (2018: $8,158,000) have been capitalised in the year in respect of these projects. Research costs that did not meet the criteria for capitalisation and therefore expensed in the year totalled $2,758,000 (2018: $1,915,000). The Directors have determined that the development costs capitalised in the year have not met the necessary recognition point for amortisation and accordingly, these costs have not been amortised during the year. The Directors will amortise such development costs once the products are launched to market which is expected to be within the next financial year.

3 Turnover and other revenue

All revenue is generated in the United States of America and all relates to the principal activity as detailed in the strategic report.

4 Employees

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

	Group 2019 Number	2018 Number	Company 2019 Number	2018 Number
Total employees	89	112	-	-

4 *Employees (Continued)*

Their aggregate remuneration comprised:

	Group 2019 $'000	2018 $'000	Company 2019 $'000	2018 $'000
Wages and salaries	15,011	15,095	-	-
Social security costs	909	906	-	-
	15,920	16,001	-	-

5 Directors' remuneration

	2019 $'000	2018 $'000
Remuneration for qualifying services	1,450,474	-

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2019 $'000	2018 $'000
Remuneration for qualifying services	1,075,199	-

No Directors have received remuneration from the Company or Group in the comparative year.

6 Share-based payment transactions

Group	Number of share options		Weighted average exercise price	
	2019 Number	2018 Number	2019 $'000	2018 $'000
Outstanding at 1 January 2019	13,679,533	11,597,010	1.25	1.20
Granted	100,000	2,082,523	1.53	1.53
Expired	(998,085)	-	-	-
Outstanding at 31 December 2019	12,781,448	13,679,533	1.53	1.25
Exercisable at 31 December 2019	11,156,314	7,676,312	1.53	1.25

6 *Share-based payment transactions (Continued)*

Share options are granted to selected employees under an unapproved scheme. The exercise price of the granted options is equal to the estimated market price of the share on the date of the grant. The options become exercisable (vest) 25% on the anniversary of the option grant date and 25% yearly on each anniversary for the following three years. If the options remain unexercised after a period of ten years from the date of grant the options expire.

The Group recognised total expenses of $nil relating to equity-settled share-based payments in 2019 (2018: $nil). No expense was recognised in the current or prior period as the current value of the options is below the exercise price.

7 Operating loss

	2019	2018
	$'000	$'000
Operating loss for the year is stated after charging/(crediting):		
Exchange losses/(gains)	21	(43)
Research and development costs	2,758	1,915
Depreciation of owned tangible fixed assets	1,665	1,398
(Profit)/loss on disposal of tangible fixed assets	(21)	812
Amortisation of intangible assets	637	808
Impairment of intangible assets	-	752
Stocks impairment losses recognised or reversed	1	-
Operating lease charges	1,562	1,677

Depreciation and amortisation charges, as well as impairments of fixed assets and profits or losses on their sale, are recognised within administrative expenses on the consolidated statement of comprehensive income.

8 Auditor's remuneration

	2019	2018
Fees payable to the Company's auditor and its associates:	$'000	$'000
For audit services		
Audit of the financial statements of the Group and Company	25	20
Audit of the financial statements of the Company's subsidiaries	70	62
	95	82
For other services		
Taxation compliance services	16	15
All other non-audit services	20	27
	36	42

9 Taxation

	2019 $'000	2018 $'000
Current tax		
Research and development tax credit	(1,014)	-

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

	2019 $'000	2018 $'000
Loss before taxation	(25,761)	(27,455)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	(4,895)	(5,216)
Tax effect of expenses that are not deductible in determining taxable profit	2,583	3,560
Tax effect of utilisation of tax losses not previously recognised	-	44
Change in unrecognised deferred tax assets	2,284	3,131
Effect of change in corporation tax rate	28	31
Research and development tax credit	(1,014)	-
Other movements	-	(1,550)
Taxation credit	(1,014)	-

A deferred tax asset has not been recognised in respect of timing differences relating to excess tax losses carried forward and capital allowances in excess of depreciation, as there is insufficient evidence that the asset would be recoverable. The Group has $290,579,000 (2018: $265,832,000) of tax losses available to relieve against future profits, and potential deferred tax assets of $9,807,000 (2018: $7,407,000).

The tax credit recognised in the previous year relates solely to adjustments relating to prior year R&D tax credits. The Group continues to report a loss for the current and prior year and accordingly, no tax expense or liability has been recognised in the financial statements.

Similarly, deferred tax assets are recognised only to the extent that it is probable that they will be recovered by reversal of deferred tax liabilities or other future taxable profits. Due to the uncertain nature of future taxable profits being generated in the foreseeable future, no deferred tax asset has been recognised in these financial statements.

The Finance Act 2016 was enacted so as to reduce the corporation tax rate from 19% to 17% with effect from 1 April 2020. These rates have been used to measure deferred tax assets and liabilities where applicable. In March 2020 the Chancellor announced that the tax rate would remain at 19%, however, this rate had not been substantively enacted at the reporting date and it has not been used in the measurement of deferred tax.

10 Intangible fixed assets

Group	Goodwill	Software	Patents and licences	Development costs	Total
	$'000	$'000	$'000	$'000	$'000
Cost					
At 1 January 2019	940	2,873	2,839	8,158	14,810
Additions - internally developed	-	-	-	5,464	5,464
Disposals	(940)	(2,873)	-	-	(3,813)
At 31 December 2019	-	-	2,839	13,622	16,461
Amortisation and impairment					
At 1 January 2019	940	1,842	1,991	-	4,773
Amortisation charged for the year	-	182	455	-	637
Disposals	(940)	(2,024)	-	-	(2,964)
At 31 December 2019	-	-	2,446	-	2,446
Carrying amount					
At 31 December 2019	-	-	393	13,622	14,015
At 31 December 2018	-	1,031	848	8,158	10,037

10 Intangible fixed assets (Continued)

Company	Patents and licences $'000
Cost	
At 1 January 2019 and 31 December 2019	1,689
Amortisation and impairment	
At 1 January 2019	1,149
Amortisation charged for the year	383
At 31 December 2019	1,532
Carrying amount	
At 31 December 2019	157
At 31 December 2018	540

Amortisation costs are recognised with administrative expenses on the face of the statement of comprehensive income.

The annual amortisation charge is based on the expected useful economic life of goodwill. The useful life of goodwill is estimated based on the expected life in which benefits to the company and Group are expected to be felt. Goodwill is reviewed for impairment on an annual basis. The directors determined there to be an impairment of goodwill in the prior year totalling $752,000.

The disposal in the year relates to the sale of the Laser Facility site based in Madison, Wisconsin.

11 Tangible fixed assets

Group	Plant and equipment	Fixtures and fittings	Computers	Total
	$'000	$'000	$'000	$'000
Cost				
At 1 January 2019	15,547	501	3,302	19,350
Additions	2,404	43	9	2,456
Disposals	(3,884)	-	(86)	(3,970)
At 31 December 2019	14,067	544	3,225	17,836
Depreciation and impairment				
At 1 January 2019	4,079	71	968	5,118
Depreciation charged in the year	1,050	64	551	1,665
Eliminated in respect of disposals	(1,241)	-	(75)	(1,316)
At 31 December 2019	3,888	135	1,444	5,467
Carrying amount				
At 31 December 2019	10,179	409	1,781	12,369
At 31 December 2018	11,468	430	2,334	14,232

The Company had no tangible fixed assets at 31 December 2019 or 31 December 2018.

The disposal in the year relates to the sale of the Laser Facility site based in Madison, Wisconsin.

12 Fixed asset investments

		Group 2019 $'000	2018 $'000	Company 2019 $'000	2018 $'000
Investments in subsidiaries	13	-	-	-	-

Movements in fixed asset investments
Company

	Shares in group undertakings $'000
Cost	
At 1 January 2019 and 31 December 2019	30,049
Impairment	
At 1 January 2019 and 31 December 2019	30,049
Carrying amount	
At 31 December 2019	-
At 31 December 2018	-

13 Subsidiaries

Details of the Company's subsidiaries at 31 December 2019 are as follows:

Name of undertaking	Registered office key	Nature of business	Class of shares held	% Held Direct	Indirect
Compound Photonics UK Limited	a)	Non-trading	Ordinary	100.00	-
Compound Photonics Limited	a)	Research and development	Ordinary	100.00	-
Compound Photonics U.S. Corporation	b)	Research and development	Ordinary	-	100.00

Registered Office addresses:

a) Riverbank House, Swan Lane, London, EC4R 3TT

b) 805 Broadway, Suite 300, Vancouver, WA 98660 USA

14 Stocks

	Group 2019 $'000	2018 $'000	Company 2019 $'000	2018 $'000
Raw materials and consumables	776	517	-	-
Work in progress	184	33	-	-
Finished goods and goods for resale	-	29	-	-
	960	579	-	-

15 Debtors

Amounts falling due within one year:	Group 2019 $'000	2018 $'000	Company 2019 $'000	2018 $'000
Trade debtors	120	64	-	-
Unpaid share capital	10,000	-	10,000	-
Other debtors	1,553	1,302	185	283
Prepayments and accrued income	535	705	17	8
	12,208	2,071	10,202	291

Included within trade debtors in the Group is an impairment provision of $nil (2018: $181,000).

There is an impairment provision in the Company against amounts owed by group undertakings of $331,273,000 (2018: $297,878,000). Included in the Company statement of comprehensive income is an impairment charge of $33,395,000 (2018: $28,728,000).

16 Creditors: amounts falling due within one year

	Group 2019 $'000	2018 $'000	Company 2019 $'000	2018 $'000
Trade creditors	960	930	130	170
Other taxation and social security	65	241	-	-
Other creditors	280	142	-	-
Accruals and deferred income	954	1,175	75	25
	2,259	2,488	205	195

17 Creditors: amounts falling due after more than one year

	Group 2019 $'000	2018 $'000	Company 2019 $'000	2018 $'000
Accruals and deferred income	69	17	-	-

Accruals due after more than one year represents deferred rent payments which will unwind within 5 years.

18 Share capital

	Group and company 2019 $'000	2018 $'000
Ordinary share capital		
Issued and not fully paid		
127,508,503 Ordinary shares of 0.1p each	162	125
15,000 B Shares of 0.1p each	-	-
	162	125

The Company's Ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the Company.

The Company's B shares, which carry no right to fixed income, have no voting rights.

During the year the Group and Company issued 28,692,810 Ordinary shares with a par value of £0.001 for a total consideration of $43.9m. At the year end $10,000,000 remained unpaid and is included in debtors.

19 Reserves

Share premium
Share premium represents consideration received for shares issued above their nominal value net of transaction costs.

Merger reserve
Reserves at acquisition of subsidiary acquired in 2009. This reserve is not distributable to shareholders.

Profit and loss reserves
Retained earnings represent cumulative profit and loss net of distributions to owners.

20 Cash generated from group operations

	2019 $'000	2018 $'000
Loss for the year after tax	(24,747)	(27,455)
Adjustments for:		
Taxation credited	(1,014)	-
Unrealised foreign exchange gains	-	(1,155)
(Gain)/loss on disposal of tangible fixed assets	(21)	812
Amortisation and impairment of intangible assets	637	1,560
Depreciation and impairment of tangible fixed assets	1,665	1,398
Movements in working capital:		
(Increase) in stocks	(381)	(58)
(Increase)/decrease in debtors	(137)	965
(Decrease)/increase in creditors	(177)	39
Cash absorbed by operations	(24,175)	(23,894)

21 Analysis of changes in net funds - group

	1 January 2019 $'000	Cash flows $'000	31 December 2019 $'000
Cash at bank and in hand	6,251	6,342	12,593

22 Operating lease commitments

Lessee

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 2019 $'000	2018 $'000	Company 2019 $'000	2018 $'000
Within one year	1,010	1,003	-	-
Between one and five years	2,622	530	-	-
	3,632	1,533	-	-

23 Events after the reporting date

Subsequent to the Company's financial year end, the World Health Organization (WHO) announced on 30 January 2020 a global health emergency related to a new strain of Coronavirus originating in Wuhan, China (Covid-19 outbreak) and the associated risks to international communities, and the global economy, as the virus spreads beyond its point of origin. On 11 March 2020, the WHO classified the Covid-19 outbreak as a pandemic due to a rapid increase in global exposures. These events are having a significant negative impact on global stock markets, currencies, and general business activities, however as these events did not exist at the balance sheet date, they are considered to be non-adjusting events. The timing and extent of the impact and recovery from the Covid-19 outbreak is unknown but may have an impact on the Company's activities in an uncertain global market, although as stated in note 1, the Company's operations were not significantly affected during 2020 and it is expected that the Company is well placed to overcome any such Covid-19 related challenges in the foreseeable future.

24 Related party transactions

Transactions with related parties

The following amounts were outstanding at the reporting end date:

Amounts due from related parties	**2019 Balance $'000**
Company	
Shareholders	10,000