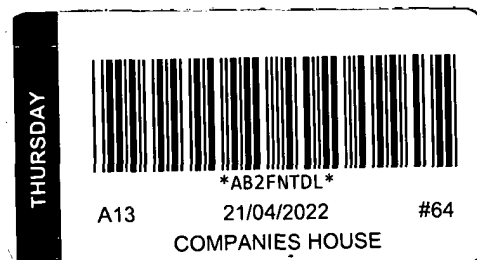


Company Registration No. 06917133 (England and Wales)

**COMPOUND PHOTONICS GROUP LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 DECEMBER 2020**



# COMPOUND PHOTONICS GROUP LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	J P A Fletcher Y Valler O B Gil
<b>Company number</b>	06917133
<b>Registered office</b>	Riverbank House Swan Lane London EC4R 3TT
<b>Auditor</b>	RSM UK Audit LLP Chartered Accountants Davidson House Forbury Square Reading Berkshire RG1 3EU

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# COMPOUND PHOTONICS GROUP LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2020

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The Directors present the strategic report for the year ended 31 December 2020.

#### 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 14.

The principal activity of Compound Photonics Group Limited and its subsidiaries (together, "the Group" or "CP") through 2020 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 2020, 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.

Turnover from operations was broadly consistent with the prior period as revenue of \$1,048k was recorded for the year down from \$1,285k, in 2019. Revenue levels remain relatively low as the Group continue to develop products to bring to market.

Administrative expenses reduced through 2020 at \$20.2m vs \$26.4m in 2019 as a result of reduced headcount throughout the organisation due to COVID.

Research and development material consumed decreased from \$4.3m in 2019 to \$1.0m in 2020. The reduction reflected a more conservative approach in light of delays in the expected development of the AR market. Total research costs in the period were \$5.5m (2019: \$4.3m).

Headcount decreased from 89 in December 2019 to 64 in December 2020 due to layoffs during COVID and market conditions.

Debtor due within one year increased from the prior period primarily due to a significant deposit owing from a customer at the year end. The balance of creditors increased due to the receipt of a \$8.7m loan in the period to provide working capital to the Group.

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

Post year end, in January 2022, the trade and assets of the business were sold to a third party. See the post balance sheet event section below for additional details.

#### Financing activities

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. During 2020 a total of \$8.7m was drawn down from this loan agreement.

# COMPOUND PHOTONICS GROUP LIMITED

## STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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### **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 organisations 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 policies 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.

# COMPOUND PHOTONICS GROUP LIMITED

## STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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### **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 realisation 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 \$2.7m have been capitalised in the year in respect of these projects.

### **Post balance sheet events**

The Group sold the assets of Compound Photonics Limited and Compound Photonics US Corporation to Snap Inc on January 6, 2022. From that date onwards the company has therefore ceased to trade other than the realisation of existing and ongoing liabilities.

Directors have also been made aware post year end of an enquiry by HMRC into the reclaim of VAT in the UK. The Directors consider that there possibility of a repayment cannot be considered remote and therefore the ongoing enquiry is considered to be a contingent liability as there may be a liability depending on the outcome of an uncertain future event.

### **Going concern**

Post year end the assets of the Group and companies have been sold. The financial statements of the Group have been prepared on a non-going concern basis and there has been no impact on the balances held in the financial statements of the Group as a result of the financial statements being based on a non-going concern basis. Further details are provided in note 1 of the financial statements.

On behalf of the board

  
J P A Fletcher  
Director

Date: 13 April 2022

# COMPOUND PHOTONICS GROUP LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2020

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The Directors present their annual report and financial statements for the year ended 31 December 2020.

#### Results and dividends

The results for the year are set out on page 10.

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

#### 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	(Resigned 30 March 2022)
J P A Fletcher	
Y Valler	
N S Woo	(Resigned 18 May 2020)
Y Wong	(Resigned 13 March 2020)
E Passon	(Appointed 30 June 2020 and resigned 6 January 2022)
R Jackson	(Appointed 30 June 2020 and resigned 6 January 2022)
O B Gil	(Appointed 1 March 2022)

#### Auditor

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

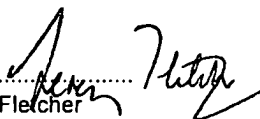
#### Strategic report

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

  
.....  
J P A Fletcher  
Director

Date: 13 April 2022

# **COMPOUND PHOTONICS GROUP LIMITED**

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- 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**

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### **Qualified 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 2020 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 significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2020 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for qualified opinion**

With respect to the capitalisation of development costs in the period of \$2,696,000 the audit evidence available to us was limited because we were not able to obtain sufficient evidence to support the capitalisation of the costs in line with FRS102. Consequently, we have also not been able to obtain sufficient audit evidence in relation to related amounts of wages and salaries in the financial statements of \$1,778,000, research costs in administrative expenses of \$918,000 and amortisation of development costs of \$1,926,000. Consequently, we were unable to determine whether any adjustment to these balances in the financial statements was required.

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

### **Emphasis of matter – Non-going concern basis of accounting**

We draw attention to note 1 of the financial statements which describes the preparation of the financial statements on a non-going concern basis. As described in note 1 the Group ceased trading in the post year end period and the directors have concluded that it is no longer appropriate to prepare the financial statements on a going concern basis. There have been no adjustments made to the financial statements as a result of the application of the non-going concern basis of accounting. 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 contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.



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

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### **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.

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

Except for the possible effects of the matter described in the basis for qualified opinion section of our report, 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. In respect solely of the limitation on our work relating to the capitalisation of development costs and the related amounts disclosed in the financial statements, described above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records had been kept.

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:

- 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.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 5, 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.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COMPOUND PHOTONICS GROUP LIMITED (CONTINUED)

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

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

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

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

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

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

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures and reviewing tax computations prepared.

The group audit engagement team identified the risk of management override of controls as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business and challenging judgments and estimates applied in the 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: <https://www.frc.org.uk/auditorsresponsibilities> This description forms part of our auditor's report.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COMPOUND PHOTONICS GROUP LIMITED (CONTINUED)

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### 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.

*Mayulee Pinkerton*

Mayulee Pinkerton CA (Senior Statutory Auditor)  
For and on behalf of RSM UK Audit LLP, Statutory Auditor  
Chartered Accountants  
Davidson House  
Forbury Square  
Reading  
Berkshire, RG1 3EU  
.19 April 2022.....

# COMPOUND PHOTONICS GROUP LIMITED

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 \$'000	2019 \$'000
Turnover	3	1,048	1,285
Cost of sales		(564)	(674)
<b>Gross profit</b>		<u>484</u>	<u>611</u>
Administrative expenses		(20,216)	(26,372)
<b>Operating loss</b>	7	<u>(19,732)</u>	<u>(25,761)</u>
Interest payable and similar expenses	9	(5)	-
<b>Loss before taxation</b>		<u>(19,737)</u>	<u>(25,761)</u>
Tax on loss	10	-	1,014
<b>Loss for the financial year</b>		<u><u>(19,737)</u></u>	<u><u>(24,747)</u></u>

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.

**COMPOUND PHOTONICS GROUP LIMITED****CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2020**

	Notes	2020 \$'000	2019 \$'000
<b>Fixed assets</b>			
Intangible assets	11	14,595	14,015
Tangible assets	12	11,100	12,369
		<u>25,695</u>	<u>26,384</u>
<b>Current assets</b>			
Stocks	15	1,618	960
Debtors	16	17,032	12,208
Cash at bank and in hand		939	12,593
		<u>19,589</u>	<u>25,761</u>
<b>Creditors: amounts falling due within one year</b>	17	<u>(15,113)</u>	<u>(2,259)</u>
<b>Net current assets</b>		<u>4,476</u>	<u>23,502</u>
<b>Total assets less current liabilities</b>		<u>30,171</u>	<u>49,886</u>
<b>Creditors: amounts falling due after more than one year</b>	18	(91)	(69)
<b>Net assets</b>		<u><u>30,080</u></u>	<u><u>49,817</u></u>
<b>Capital and reserves</b>			
Called up share capital	20	162	162
Share premium account	21	325,428	325,428
Merger reserve	21	8,022	8,022
Profit and loss reserves	21	(303,532)	(283,795)
<b>Total equity</b>		<u><u>30,080</u></u>	<u><u>49,817</u></u>

The financial statements were approved by the board of Directors and authorised for issue on 13 April 2022 and are signed on its behalf by:

  
 J P A Fletcher  
 Director

**COMPOUND PHOTONICS GROUP LIMITED****COMPANY STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2020**

		2020	2019
	Notes	\$'000	\$'000
<b>Fixed assets</b>			
Intangible assets	11	35	157
Investments	13	-	-
		<u>35</u>	<u>157</u>
<b>Current assets</b>			
Debtors	16	10,176	10,202
<b>Creditors: amounts falling due within one year</b>	17	<u>(873)</u>	<u>(205)</u>
<b>Net current assets</b>		<u>9,303</u>	<u>9,997</u>
<b>Total assets less current liabilities</b>		<u><u>9,338</u></u>	<u><u>10,154</u></u>
<b>Capital and reserves</b>			
Called up share capital	20	162	162
Share premium account	21	325,428	325,428
Merger reserve	21	8,022	8,022
Profit and loss reserves	21	<u>(324,274)</u>	<u>(323,458)</u>
<b>Total equity</b>		<u><u>9,338</u></u>	<u><u>10,154</u></u>

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 \$816,000 (2019 - \$34,381,000).

The financial statements were approved by the board of Directors and authorised for issue on 13 April 2022 and are signed on its behalf by:

  
 J P A Fletcher  
 Director

# COMPOUND PHOTONICS GROUP LIMITED

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital \$'000	Share premium account \$'000	Merger reserve \$'000	Profit and loss reserves \$'000	Total \$'000
<b>Balance at 1 January 2019</b>	125	281,566	8,022	(259,048)	30,665
<b>Year ended 31 December 2019:</b>					
Loss and total comprehensive income for the year	-	-	-	(24,747)	(24,747)
Issue of share capital	37	43,862	-	-	43,899
<b>Balance at 31 December 2019</b>	162	325,428	8,022	(283,795)	49,817
<b>Year ended 31 December 2020:</b>					
Loss and total comprehensive income for the year	-	-	-	(19,737)	(19,737)
<b>Balance at 31 December 2020</b>	162	325,428	8,022	(303,532)	30,080

# COMPOUND PHOTONICS GROUP LIMITED

## COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital \$'000	Share premium account \$'000	Merger reserve \$'000	Profit and loss reserves \$'000	Total \$'000
<b>Balance at 1 January 2019</b>	125	281,566	8,022	(289,077)	636
<b>Year ended 31 December 2019:</b>					
Loss and total comprehensive income for the year	-	-	-	(34,381)	(34,381)
Issue of share capital	37	43,862	-	-	43,899
<b>Balance at 31 December 2019</b>	162	325,428	8,022	(323,458)	10,154
<b>Year ended 31 December 2020:</b>					
Loss and total comprehensive income for the year	-	-	-	(816)	(816)
<b>Balance at 31 December 2020</b>	162	325,428	8,022	(324,274)	9,338



# COMPOUND PHOTONICS GROUP LIMITED

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

		2020		2019	
	Notes	\$'000	\$'000	\$'000	\$'000
<b>Cash flows from operating activities</b>					
Cash absorbed by operations	22		(17,282)		(24,175)
Interest paid			(5)		-
Income taxes (paid)/refunded			-		1,014
<b>Net cash outflow from operating activities</b>			<b>(17,287)</b>		<b>(23,161)</b>
<b>Investing activities</b>					
Purchase of intangible assets		(2,696)		(5,464)	
Proceeds on disposal of intangibles		-		849	
Purchase of tangible fixed assets		(913)		(2,456)	
Proceeds on disposal of tangible fixed assets		542		2,675	
<b>Net cash used in investing activities</b>			<b>(3,067)</b>		<b>(4,396)</b>
<b>Financing activities</b>					
Proceeds from issue of shares		-		33,899	
Proceeds from borrowings		8,700		-	
<b>Net cash generated from financing activities</b>			<b>8,700</b>		<b>33,899</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>			<b>(11,654)</b>		<b>6,342</b>
Cash and cash equivalents at beginning of year			12,593		6,251
<b>Cash and cash equivalents at end of year</b>			<b>939</b>		<b>12,593</b>

# COMPOUND PHOTONICS GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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### 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 2020. 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.

# COMPOUND PHOTONICS GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

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### 1 Accounting policies (Continued)

#### Going concern

Subsequent to the year end, the trade and assets of the Group were sold. Accordingly, the going concern basis of preparation is not considered appropriate by the Directors and the financial statements have been presented on a non-going concern basis. No adjustments were required in order to present the financial statements on this basis.

#### 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 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:

Patents and licences	6.7% straight line
Development costs	5 years straight line

#### 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.

# COMPOUND PHOTONICS GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2020

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#### 1 Accounting policies (Continued)

##### **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.

##### **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.

# COMPOUND PHOTONICS GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2020

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#### 1 Accounting policies (Continued)

##### **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.

##### **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.

# COMPOUND PHOTONICS GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

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### 1 Accounting policies (Continued)

#### ***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.

#### **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.

#### **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.

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.

# COMPOUND PHOTONICS GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

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### 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.

#### ***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 \$331,273,000 (2019: \$331,273,000) should be held against intercompany receivable balances outstanding at the reporting date, so an additional provision of \$nil (2019: \$33,395,000) 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 \$2,696,000 (2019: \$5,464,000) 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 \$5,506,000 (2019: \$2,758,000).

During the year the Group considered that certain products being developed by the Group were completed and brought into use. Therefore Directors considered that amortisation of the development costs should begin in the period. Subsequently, an amortisation expense of \$1,926,00 has been recognised to reflect the useful economic life assigned to the products. The useful economic life assigned to the products is 5 years which is the period over which Directors estimate that the Group will receive economic benefit from the products.

### 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.

# COMPOUND PHOTONICS GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

### 4 Employees

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

	Group 2020 Number	2019 Number	Company 2020 Number	2019 Number
Total employees	99	89	-	-

Their aggregate remuneration comprised:

	Group 2020 \$'000	2019 \$'000	Company 2020 \$'000	2019 \$'000
Wages and salaries	8,779	15,011	-	-
Social security costs	646	909	-	-
	9,425	15,920	-	-

### 5 Directors' remuneration

	2020 \$'000	2019 \$'000
Remuneration for qualifying services	1,721	1,450

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

	2020 \$'000	2019 \$'000
Remuneration for qualifying services	748	1,075



# COMPOUND PHOTONICS GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

6 Share-based payment transactions Group	Number of share options		Weighted average exercise price	
	2020 Number	2019 Number	2020 \$'000	2019 \$'000
Outstanding at 1 January 2020	12,781,448	13,679,533	1.53	1.25
Granted	2,393,450	100,000	1.53	1.53
Expired	(6,139,476)	(998,085)	1.53	-
Outstanding at 31 December 2020	<u>9,035,422</u>	<u>12,781,448</u>	<u>1.53</u>	<u>1.53</u>
Exercisable at 31 December 2020	<u>6,366,904</u>	<u>11,156,314</u>	<u>1.53</u>	<u>1.53</u>

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 2020 (2019: \$nil) as the vesting conditions at the date of grant mean any charge is considered trivial to the financial statements.

7 Operating loss	2020 \$'000	2019 \$'000
Operating loss for the year is stated after charging/(crediting):		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	1	21
Research and development costs	5,506	2,758
Depreciation of owned tangible fixed assets	1,740	1,665
Profit on disposal of tangible fixed assets	(100)	(21)
Amortisation of intangible assets	2,116	637
Stocks impairment losses recognised or reversed	3	1
Operating lease charges	<u>1,488</u>	<u>1,562</u>

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.

# COMPOUND PHOTONICS GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

**8 Auditor's remuneration**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Fees payable to the Company's auditor and its associates:		
<b>For audit services</b>		
Audit of the financial statements of the Group and Company	25	25
Audit of the financial statements of the Company's subsidiaries	74	70
	<u>99</u>	<u>95</u>
<b>For other services</b>		
Taxation compliance services	16	16
All other non-audit services	24	20
	<u>40</u>	<u>36</u>

**9 Interest payable and similar expenses**

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Interest on bank overdrafts and loans	<u>5</u>	<u>-</u>

# COMPOUND PHOTONICS GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 10 Taxation

	2020 \$'000	2019 \$'000
<b>Current tax</b>		
Research and development tax credit	-	(1,014)

The total tax credit 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:

	2020 \$'000	2019 \$'000
Loss before taxation	(19,737)	(25,761)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	(3,750)	(4,895)
Tax effect of expenses that are not deductible in determining taxable profit	855	2,583
Change in unrecognised deferred tax assets	2,895	2,284
Effect of change in corporation tax rate	-	28
Research and development tax credit	-	(1,014)
Taxation charge/(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 \$305,818,000 (2019: \$290,579,000) of tax losses available to relieve against future profits, and potential deferred tax assets of \$12,702,000 (2019: \$9,807,000).

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. In March 2020 the Chancellor announced that tax rate would remain at 19%. This rate has been used to measure deferred tax assets and liabilities where applicable. In March 2021 the Chancellor announced that the corporation tax rate would increase from 19% to 25% from 1 April 2023, however as this was not substantively enacted at the reporting date, this rate has not been used in the measurement of deferred tax.

# COMPOUND PHOTONICS GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

### 11 Intangible fixed assets

Group	Patents and licences \$'000	Development costs \$'000	Total \$'000
<b>Cost</b>			
At 1 January 2020	2,839	13,622	16,461
Additions - internally developed	-	2,696	2,696
At 31 December 2020	2,839	16,318	19,157
<b>Amortisation and impairment</b>			
At 1 January 2020	2,446	-	2,446
Amortisation charged for the year	190	1,926	2,116
At 31 December 2020	2,636	1,926	4,562
<b>Carrying amount</b>			
At 31 December 2020	203	14,392	14,595
At 31 December 2019	393	13,622	14,015
<b>Company</b>			
			Patents and licences \$'000
<b>Cost</b>			
At 1 January 2020 and 31 December 2020			1,689
<b>Amortisation and impairment</b>			
At 1 January 2020			1,532
Amortisation charged for the year			122
At 31 December 2020			1,654
<b>Carrying amount</b>			
At 31 December 2020			35
At 31 December 2019			157

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

# COMPOUND PHOTONICS GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 12 Tangible fixed assets

Group	Plant and equipment \$'000	Fixtures and fittings \$'000	Computers \$'000	Total \$'000
<b>Cost</b>				
At 1 January 2020	14,067	544	3,225	17,836
Additions	913	-	-	913
Disposals	(464)	-	-	(464)
At 31 December 2020	14,516	544	3,225	18,285
<b>Depreciation and impairment</b>				
At 1 January 2020	3,888	135	1,444	5,467
Depreciation charged in the year	1,131	104	505	1,740
Eliminated in respect of disposals	(22)	-	-	(22)
At 31 December 2020	4,997	239	1,949	7,185
<b>Carrying amount</b>				
At 31 December 2020	9,519	305	1,276	11,100
At 31 December 2019	10,179	409	1,781	12,369

The company had no tangible fixed assets at 31 December 2020 or 31 December 2019.

# COMPOUND PHOTONICS GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2020

#### 13 Fixed asset investments

	Notes	Group 2020 \$'000	2019 \$'000	Company 2020 \$'000	2019 \$'000
Investments in subsidiaries	14	-	-	-	-

#### Movements in fixed asset investments Company

	Shares in group undertakings \$'000
<b>Cost</b>	
At 1 January 2020 and 31 December 2020	30,049
<b>Impairment</b>	
At 1 January 2020 and 31 December 2020	30,049
<b>Carrying amount</b>	
At 31 December 2020	-
At 31 December 2019	-

#### 14 Subsidiaries

Details of the Company's subsidiaries at 31 December 2020 are as follows:

Name of undertaking	Address	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 (all UK unless otherwise indicated):

- a) Riverbank House, Swan Lane, London, EC4R 3TT
- b) 805 Broadway, Suite 300, Vancouver, WA 98660 USA

#### 15 Stocks

	Group 2020 \$'000	2019 \$'000	Company 2020 \$'000	2019 \$'000
Raw materials and consumables	1,544	776	-	-
Work in progress	74	184	-	-
	1,618	960	-	-

# COMPOUND PHOTONICS GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2020

#### 16 Debtors

	Group 2020 \$'000	2019 \$'000	Company 2020 \$'000	2019 \$'000
<b>Amounts falling due within one year:</b>				
Trade debtors	20	120	-	-
Unpaid share capital	10,000	10,000	10,000	10,000
Other debtors	6,514	1,553	173	185
Prepayments and accrued income	498	535	3	17
	<u>17,032</u>	<u>12,208</u>	<u>10,176</u>	<u>10,202</u>

There is an impairment provision in the Company against amounts owed by group undertakings of \$331,273,000 (2019: \$331,273,000). Included in the Company statement of comprehensive income is an impairment charge of \$nil (2019: \$33,395,000).

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

	Notes	Group 2020 \$'000	2019 \$'000	Company 2020 \$'000	2019 \$'000
Other borrowings	19	8,700	-	-	-
Trade creditors		457	960	18	130
Amounts owed to group undertakings		-	-	806	-
Other taxation and social security		366	65	-	-
Other creditors		4,888	280	-	-
Accruals and deferred income		702	954	49	75
		<u>15,113</u>	<u>2,259</u>	<u>873</u>	<u>205</u>

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

	Group 2020 \$'000	2019 \$'000	Company 2020 \$'000	2019 \$'000
Accruals and deferred income	<u>91</u>	<u>69</u>	<u>-</u>	<u>-</u>

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

# COMPOUND PHOTONICS GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

### 19 Borrowings

	Group 2020 \$'000	2019 \$'000	Company 2020 \$'000	2019 \$'000
Other loans	8,700	-	-	-
Payable within one year	8,700	-	-	-

The loans received by the Group in the period were provided by the principal owners of the Group to provide working capital. The loans are interest free, unsecured and due for repayment within 1 year of the balance sheet date.

### 20 Share capital

	2020 Number	2019 Number	2020 \$'000	2019 \$'000
Ordinary share capital				
Issued and not fully paid				
Ordinary shares of 0.1p each	127,508,503	127,508,503	162	162
B Shares of 0.1p each	15,000	15,000	-	-

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.

### 21 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.



# COMPOUND PHOTONICS GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 22 Cash absorbed by group operations

	2020 \$'000	2019 \$'000
Loss for the year after tax	(19,737)	(24,747)
<b>Adjustments for:</b>		
Taxation charged/(credited)	-	(1,014)
Finance costs	5	-
Gain on disposal of tangible fixed assets	(100)	(21)
Amortisation and impairment of intangible assets	2,116	637
Depreciation and impairment of tangible fixed assets	1,740	1,665
<b>Movements in working capital:</b>		
Increase in stocks	(658)	(381)
Increase in debtors	(4,824)	(137)
Increase/(decrease) in creditors	4,176	(177)
<b>Cash absorbed by operations</b>	<b>(17,282)</b>	<b>(24,175)</b>

### 23 Analysis of changes in net funds/(debt) - group

	1 January 2020 \$'000	Cash flows \$'000	31 December 2020 \$'000
Cash at bank and in hand	12,593	(11,654)	939
Borrowings excluding overdrafts	-	(8,700)	(8,700)
	<u>12,593</u>	<u>(20,354)</u>	<u>(7,761)</u>

### 24 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 2020 \$'000	2019 \$'000	Company 2020 \$'000	2019 \$'000
Within one year	1,017	1,010	-	-
Between one and five years	1,791	2,622	-	-
	<u>2,808</u>	<u>3,632</u>	<u>-</u>	<u>-</u>

# COMPOUND PHOTONICS GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2020

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#### 25 Events after the reporting date

The Group sold the assets of Compound Photonics Limited and Compound Photonics US Corporation to Snap Inc on January 6, 2022. From that date onwards the Group and company has therefore ceased to trade other than the realisation of existing and ongoing liabilities.

Directors have also been made aware post year end of an enquiry by HMRC into the reclaim of VAT in the UK. Directors consider that there possibility of a repayment cannot be considered remote and therefore the ongoing enquiry is considered to be a contingent liability as there may be a liability depending on the outcome of an uncertain future event.

#### 26 Related party transactions

The following amounts were outstanding at the reporting end date:

Amounts due from related parties	2020 Balance \$'000	2019 Balance \$'000
Company		
Shareholders	10,000	10,000

#### 27 Controlling party

The Directors consider there to be no ultimate controlling party.