

Company registration number: 09958334

DUALITAS LTD.

Directors' Report and Financial Statements

For the Year Ended 31 December 2019



DUALITAS LTD.

Financial Statements for the Year Ended 31 December 2019

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DUALITAS LTD.

Financial Statements for the Year Ended 31 December 2019

Directors and other information

Directors	Nationality	Date of Appointment	Date of Resignation
Jamieson Christmas	(British)	19 January 2016	
Gautam Jivan Patel	(American)	1 January 2018	
Rishi Nath Reddy	(American)	1 January 2018	

Company Secretary	Registration number
Gravitas Company Secretarial Services Limited	2540309

Registered Office

One New Change, London, EC4M 9AF, United Kingdom

Registered Number of Incorporation

09958334

Solicitors

K&L Gates LLP
One New Change, London, EC4M 9AF, United Kingdom

Bankers

JPMorgan Chase Bank,
25 Bank Street, Canary Wharf, London, E14 5JP, UK

Auditors

Ernst & Young LLP
400 Capability Green, Luton, Bedfordshire, LU1 3LU, UK

DUALITAS LTD.

Financial Statements for the Year Ended 31 December 2019

Directors' report

The directors present herewith their report and audited financial statements for the year ended 31 December 2019. This directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption. The company's registered number of incorporation is 09958334.

PRINCIPAL ACTIVITIES

Dualitas Ltd ('the company') is a wholly owned subsidiary of Dualitas Holdings Ltd, a company incorporated in the United Kingdom.

The ultimate parent undertaking and controlling party is Lightfield Holdings, LP (the 'Dualitas group'), a company formed in the United States of America. The principal activity of the company is to carry on the business of developing technology to deliver holographic/augmented reality products and services, with a focus on the non-automotive industry.

BUSINESS REVIEW AND KEY PERFORMANCE INDICATORS

The company incurred a loss of £3,033,138 (2018: £4,504,590) during the year ended 31 December 2019. The directors consider the financial position as indicated on the company statement of financial position to be satisfactory.

RESULTS FOR THE PERIOD AND DIVIDENDS

During the year, the Company incurred a loss before tax of £3,033,138 (2018: £4,411,368). After charging taxation of £nil (2018: tax credit of £93,222), an amount of £3,033,138 (2018: £4,504,590) was debited to reserves. Equity as at 31 December 2019 amounted to £4,226,893 (2018: £6,483,180).

No dividends were declared or paid by the company during the year ended 31 December 2019 (2018: £nil)

PRINCIPAL RISKS AND UNCERTAINTIES

The directors consider that the principal risk facing the company that could materially and adversely affect the company's future profit or financial position is the risk that the company's services will no longer be required by the Dualitas group. The commercial success of the Dualitas Group is dependent on the growth in customer adoption of new augmented reality technology related products and services. Other risks include, technology being superseded and loss of key staff.

HEALTH AND SAFETY OF EMPLOYEES

The wellbeing of the company's employees is safeguarded through strict adherence to health and safety standards. Health and safety legislation imposes certain requirements on employers and the company has taken the necessary action to ensure that it complies with the legislation, including the adoption of a Safety Statement.

ENVIRONMENTAL MATTERS

The company will seek to minimise adverse impacts on the environment from its activities, while continuing to address health, safety and economic issues. The company has complied with all legislation and regulations.

FUTURE DEVELOPMENTS

No significant future developments are planned by the company.

RESEARCH AND DEVELOPMENT

The company is engaged in research and development activities to support product development and incurred research and development costs of £Nil (2018: £253,486).

DUALITAS LTD.

Financial Statements for the Year Ended 31 December 2019

Directors' report (continued)

DISCLOSURE OF INFORMATION TO THE AUDITORS

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

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

IMPORTANT EVENTS SINCE THE BALANCE SHEET DATE

Since the balance sheet date, the COVID-19 pandemic has spread across the world. This is considered a non-adjusting post-balance sheet event and the impact of COVID-19 will be reported in the 2020 financial statements. Further details of the impact of COVID-19 on the Company and on the directors' assessment of going concern are included in note 1 of these financial statements.

DIRECTORS, COMPANY SECRETARY AND THEIR INTERESTS

The present directors are as listed on page 1.

The directors and secretary held no interest in the company requiring disclosure.

DIRECTORS' LIABILITIES

No liabilities subsisted to directors of the company throughout the year, and no indemnity provisions have been granted to any director during the year. No such indemnity provisions are in force as at the signing of the Director's report.

GOING CONCERN

The Company is a research and development company that continues to develop technology for holographic and augmented reality products and services in the non-automotive sector.

The COVID-19 pandemic has, at the time of approving these financial statements, had no adverse impact on the Company.

As the main trading company in the UK group, management has prepared forecasts for 2020 and 2021 which confirm the company and the UK group have sufficient funds in order to meet their liabilities at least until 31 December 2021. In addition, the Company has received a letter of support from its parent company, Dualitas Holdings Limited, indicating that it will receive the financial and other support necessary for the Company to trade and meet its liabilities as and when they become due for a period of at least twelve months from the date of signing of these financial statements. This is to demonstrate the funds within the UK group will be available to all Dualitas Holdings UK subsidiaries to use.

Having made appropriate enquiries and reviewed the company's forecasts, the directors have a reasonable expectation that the company has adequate resources to continue in operation for at least 12 months from the date of signing these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

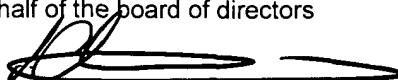
POLITICAL DONATIONS

No political donations were made by the company during the year (2018: £nil).

AUDITORS

The auditors, Ernst & Young LLP, will continue in office in accordance with Section 485 of the Companies Act 2006.

On behalf of the board of directors


Jamieson Christmas
30 November 2020

DUALITAS LTD.

Financial Statements for the Year Ended 31 December 2019

Directors' responsibilities statement

The directors are responsible for preparing 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 that give a true and fair view of the company's assets, liabilities and financial position as at the end of the financial year, and of the profit or loss of the company for the financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (accounting standards issued by the Financial Reporting Council including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK' and UK 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 company and of the profit or loss of the company for that year. In preparing these financial statements the directors are required to:

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF DUALITAS LTD.

Opinion

We have audited the financial statements of Dualitas Ltd. ('the company') for the year ended 31 December 2019 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of changes in equity, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 17, 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 company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DUALITAS LTD. (Continued)

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 this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

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

- the information given in the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report.

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

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a strategic report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DUALITAS LTD. (Continued)

Responsibilities of directors

As explained more fully in the Directors' responsibility statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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 <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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

DocuSigned by:

Ernst & Young LLP

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Farzin Radfar (Senior Statutory Auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor
Luton

Date: December 3, 2020

DUALITAS LTD.**Financial Statements for the Year Ended 31 December 2019**

Income statement and Statement of comprehensive income

For the year ended 31 December 2019

	Notes	2019 £	2018 £
Turnover	2	124,598	50,000
Cost of sales		-	(264,792)
Gross profit / (loss)		124,598	(214,792)
Research and development expenses		-	(253,486)
Administrative expenses		(2,944,124)	(3,173,382)
Operating loss	3	(2,819,526)	(3,641,660)
Impairment of financial asset	9	(213,612)	-
(Loss) on disposal of financial asset	9	-	(769,708)
Loss on ordinary activities before taxation		(3,033,138)	(4,411,368)
Tax on loss on ordinary activities	6	-	(93,222)
Loss on ordinary activities after taxation		(3,033,138)	(4,504,590)
Other comprehensive income		-	-
Total comprehensive loss for the year		(3,033,138)	(4,504,590)

The results for the year shown above are derived entirely from continuing activities.

DUALITAS LTD.**Financial Statements for the Year Ended 31 December 2019****Statement of changes in equity**

For the year ended 31 December 2019

	Called-up share capital presented as equity £	Capital contribution £	Profit and loss account £	Total shareholder's equity £
At 31 December 2017	100	24,973,932	(15,781,542)	9,192,490
Loss for the year	-	-	(4,504,590)	(4,504,590)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	-	(4,504,590)	(4,504,590)
Capital contributions	-	1,795,280	-	1,795,280
At 31 December 2018	100	26,769,212	(20,286,132)	6,483,180
Loss for the year	-	-	(3,033,138)	(3,033,138)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	-	(3,033,138)	(3,033,138)
Capital contributions	-	776,851	-	776,851
At 31 December 2019	100	27,546,063	(23,319,270)	4,226,893

DUALITAS LTD.

Financial Statements for the Year Ended 31 December 2019

Statement of financial position

At 31 December 2019

	Notes	2019 £	2018 £
Fixed assets			
Intangible assets	8	2,988,374	5,154,040
Tangible assets	7	344,590	496,995
Financial assets	9	-	137,500
		<u>3,332,964</u>	<u>5,788,535</u>
Current assets			
Debtors	10	795,859	825,120
Cash at bank and in hand	14 (b)	270,620	180,850
		<u>1,066,479</u>	<u>1,005,970</u>
Creditors (amounts falling due within one year)	11	(172,550)	(311,325)
Net current assets		<u>893,929</u>	<u>694,645</u>
Net assets		<u>4,226,893</u>	<u>6,483,180</u>
Capital and reserves			
Called up share capital presented as equity	12	100	100
Capital contributions	12	27,546,063	26,769,212
Profit and loss account		(23,319,270)	(20,286,132)
Total shareholder's deficit		<u>4,226,893</u>	<u>6,483,180</u>

The financial statements were approved by the Board of Directors on 30 November 2020 and signed on its behalf by:



Jamieson Christmas - Director

DUALITAS LTD.

Financial Statements for the Year Ended 31 December 2019

Statement of cash flows

For the year ended 31 December 2019

	Notes	2019 £	2018 £
Cash used in operations	14 (a)	(255,406)	(1,851,197)
Tax paid		(72,049)	(80,751)
Net cash outflow from operating activities		(327,455)	(1,931,948)
Investing activities			
Acquisition of investments		(76,112)	(769,708)
Disposal of investments		-	100
Purchase of intangible assets		(283,514)	(188,422)
Disposal of intangible assets		-	11
Purchase of tangible fixed assets		-	(8,490)
Disposal of tangible fixed assets		-	34,939
Net cash outflow from investing activities		(359,626)	(931,570)
Financing activities			
Capital contributions		776,851	1,795,280
Net cash flow from financing activities		776,851	1,795,280
Increase / (decrease) in cash and cash equivalents		89,770	(1,068,238)
Cash and cash equivalents at the beginning of the year		180,850	1,249,088
Cash and cash equivalents at the end of the year	14 (b)	270,620	180,850

DUALITAS LTD.

Financial Statements for the Year Ended 31 December 2019

Notes to the financial statements

1. Accounting policies

Statement of compliance

Dualitas Ltd. is a limited liability company incorporated in UK. The Registered Office is 5th Floor One New Change, London, United Kingdom, EC4M 9AF. The registered number of the company is 09958334 and it is domiciled in the United Kingdom.

The financial statements have been prepared in accordance with applicable accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in England and Wales, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland (Generally Accepted Accounting Practice in UK)".

Going concern

The Company is a research and development company that continues to develop technology for holographic and augmented reality products and services in the non-automotive sector.

The COVID-19 pandemic has, at the time of approving these financial statements, had no adverse impact on the Company.

As the main trading company in the UK group, management has prepared forecasts for 2020 and 2021 which confirm the company and the UK group have sufficient funds in order to meet their liabilities at least until 31 December 2021.

In addition, the Company has received a letter of support from its parent company, Dualitas Holdings Limited, indicating that it will receive the financial and other support necessary for the Company to trade and meet its liabilities as and when they become due for a period of at least twelve months from the date of signing of these financial statements. This is to demonstrate the funds within the UK group will be available to all Dualitas Holdings UK subsidiaries to use.

Having made appropriate enquiries and reviewed the company's forecasts, the directors have a reasonable expectation that the company has adequate resources to continue in operation for at least 12 months from the date of signing these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Basis of preparation and change in accounting policy

The financial statements are prepared in Great Britain Pounds Sterling ('£') which is the functional and presentational currency of the company.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the period. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements have had the most significant effect on amounts recognised in the financial statements in accounting policies listed below:

a) Impairment of non-financial assets

The company's research results in knowhow that is protected with patents. Judgement is required of the revenue that can be generated from these patents. Management have determined that there is no impairment.

DUALITAS LTD.

Financial Statements for the Year Ended 31 December 2019

Notes to the financial statements (continued)

1. Accounting policies (continued)

b) Taxation

Deferred tax on losses have not been recognised as management do not expect to be able to offset these against profits in the foreseeable future.

Impairment of non-financial assets

Where there are indicators of impairment of individual assets, the company performs impairment tests based on fair value less costs to sell or a value in use calculation. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction on similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes.

Property, Plant and Equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended. Depreciation is provided on all property, plant and equipment, at rates calculated to write off the cost, less estimated residual value, of each asset on a systematic basis over its expected useful life as follows:

Leasehold improvements	Over 10 years
Furniture and fixtures	Over 7 years
Plant and machinery	Over 3 years
Computer and other equipment	Over 3 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Intangible assets

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised. Amortisation is provided on all intangible assets, at rates calculated to write off the cost of each asset on a systematic basis over its expected useful life as follows:

Goodwill	Over 5 years
Intellectual property	Over 5 years
Software	Over 3 years
Patents	Over 5 years

DUALITAS LTD.

Financial Statements for the Year Ended 31 December 2019

Notes to the financial statements (continued)

1. Accounting policies (continued)

Financial assets

Investments in subsidiary undertakings are shown at cost in the financial statements unless they are impaired in which case they are recorded at their recoverable amount. The recoverable amount is measured as the higher of fair value less costs of disposal or value in use. If either the fair value less cost of disposal or the value in use is above the carrying amount of the investment, no impairment has occurred. If the fair value less cost of disposal cannot be determined, then the recoverable amount is the value in use. Determining the value in use of an investment requires estimates of future cash flows, timing of those future cash flows, interest rates, and cost of capital.

Impairment of financial assets

The company assesses at each Statement of Financial Position date whether there is objective evidence that a financial asset or group of financial assets is impaired. Impairment losses are recognised in the Income Statement.

Debtors

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

Research and development

Research and development expenditure is written off to the profit and loss account in the period in which it is incurred.

Provisions for liabilities

A provision is recognised when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the statement of financial position date.

Deferred tax is recognised in respect of all timing differences which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements, except that:

- Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the statement of financial position date, dividends have been accrued as receivable.
- Where there are differences between amounts that can be deducted for tax for assets (other than goodwill) and liabilities compared with the amounts that are recognised for those assets and liabilities in a business combination a deferred tax liability/(asset) shall be recognised. The amount attributed to goodwill is adjusted by the amount of the deferred tax recognised. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that the directors consider that it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

DUALITAS LTD.

Financial Statements for the Year Ended 31 December 2019

Notes to the financial statements (continued)

1. Accounting policies (continued)

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the statement of financial position date.

Tax provisions

The company establishes provisions based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

Foreign currencies

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position date. All differences are taken to the income statement.

Operating leases

Rents payable in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term. Lease incentives are recognised to the following applicable break date in the lease.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less.

Creditors

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

Revenue recognition

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, VAT and other sales taxes or duty.

Pensions

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations. The contributions are recognised as an expense in the statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

Business combinations

Business combinations deemed as being under common control are accounted for using the merger accounting method under FRS 102. A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. Transfers of assets and liabilities to another acquiring group entity are treated as a continuation of the business previously carried out by the purchased entity in the acquiring entity's books and records, and as such are recognised at the carrying value.

DUALITAS LTD.

Financial Statements for the Year Ended 31 December 2019

Notes to the financial statements (continued)

2. Turnover

Turnover represents the amounts derived from the provision of goods and services which fall within the company's ordinary activities, stated net of value added tax.

The company derived its revenue from royalties with a smaller number of customers last year, and from inter company management charges this year.

3. Operating loss

This is stated after charging/(crediting):	2019 £	2018 £
Depreciation charge	152,405	148,957
Amortisation of intangible assets	2,449,180	2,424,942
Research and development expenditure	-	253,486
Foreign exchange differences	3,411	3,331
Loss/(gain) on disposal of investments	-	(769,708)
Auditor's remuneration	28,500	15,000

4. Auditor's remuneration

The remuneration of the statutory auditor is further analysed as follows:

	2019 £	2018 £
Audit of financial statements	28,500	15,000
Taxation advisory services	-	-
Other non-audit services	-	-

5. Staff costs

The average number of employees during the year was 1 (2018: 1) and is analysed into the following categories:

(a) Staff costs

	2019 No.	2018 No.
Research and development	-	-
Administration	1	1
	1	1

	2019 £	2018 £
Wages and salaries	249,959	224,018
Pensions	11,475	7,088
Social welfare costs	33,008	29,479
	294,442	260,585

(b) Directors' remuneration

	2019 £	2018 £
Aggregate emoluments in respect of qualifying services	20,833	-

There was no director in the company that accrued any benefit under the defined contribution pension scheme during the current period.

DUALITAS LTD.

Financial Statements for the Year Ended 31 December 2019

Notes to the financial statements (continued)

6. Tax

(a) *Tax charged in the income statement:*

The tax charge is made up as follows:

	2019 £	2018 £
Current tax		
Overseas taxation	-	(93,222)
Total current tax (charge)	-	(93,222)
Total tax per income statement	-	(93,222)

(b) *Reconciliation of the total tax charge*

The tax charge in the income statement for the year differs from the standard rate of corporation tax in the UK of 19%. The differences are reconciled below:

	2019 £	2018 £
Loss before income tax	(2,819,526)	(4,411,368)
Tax calculated at UK standard rate of corporation tax of 19.0% (2018: 19.0%)	(535,710)	(838,160)
Expenses not deductible for tax purposes	62,135	205,736
Adjustment in respect of previous periods	-	-
Overseas taxation	-	(93,222)
Deferred tax not recognised	473,575	632,424
Tax (charge)/credit on loss on ordinary activities	-	(93,222)

(c) *Factors that may affect future tax charges*

The main UK corporation tax rate reduced from 20% to the current rate of 19% on 1 April 2017. The Finance Act 2016 includes legislation which will reduce the tax rate further to 17% from 1 April 2020. This became law when The Finance Act 2016 received Royal Assent on 15 September 2016.

Following the budget resolution on 17 March 2020, the main UK corporation tax rate will remain at 19% from 1 April 2020 (cancelling the enacted cut to 17%). As the cancellation of the reduction in the rate to 17% was not substantively enacted at the balance sheet date, UK deferred tax assets and liabilities continue to be calculated at 17%.

DUALITAS LTD.

Financial Statements for the Year Ended 31 December 2019

Notes to the financial statements (continued)

6. Tax (continued)

(d) Deferred tax

	2019 £	2018 £
The deferred tax included in the balance sheet is as follows:		
Deferred tax liability	-	-

The deferred tax assets not recognised in the balance sheet as at 31 December 2019 amounted to £3,267,480 (2018: £2,836,555) and pertains to deferred taxes on timing difference in respect of capital allowances and losses carried forward. Management do not expect this amount to be realised against taxable profits in the foreseeable future.

7. Tangible assets

	Computer and other equipment £	Plant and machinery £	Furniture and fixtures £	Leasehold improvements £	Total £
<i>Cost</i>					
At 1 January 2019	103,451	206,827	62,935	404,933	778,146
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
At 31 December 2019	103,451	206,827	62,935	404,933	778,146
<i>Depreciation</i>					
At 1 January 2019	70,171	116,760	18,196	76,024	281,151
Charge for the period	32,559	68,942	8,991	41,913	152,405
At 31 December 2019	102,730	185,702	27,187	117,937	433,556
<i>Net book value</i>					
At 31 December 2019	721	21,125	35,748	286,996	344,590
<i>Net book value</i>					
At 31 December 2018	33,280	90,067	44,739	328,909	496,995

DUALITAS LTD.

Financial Statements for the Year Ended 31 December 2019

Notes to the financial statements (continued)

8. Intangible assets

	Goodwill	Intellectual property	Software	Patents	Total
	£	£	£	£	£
<i>Cost</i>					
At 1 January 2019	1,587,283	9,938,754	129,488	481,637	12,137,162
Additions	-	-	-	283,514	283,514
At 31 December 2019	1,587,283	9,938,754	129,488	765,151	12,420,676
<i>Amortisation</i>					
At 1 January 2019	959,310	5,813,722	100,054	110,036	6,983,122
Provided during the year	317,457	1,987,751	24,228	119,744	2,449,180
At 31 December 2019	1,276,767	7,801,473	124,282	229,780	9,432,302
<i>Net book value</i>					
At 31 December 2019	310,516	2,137,281	5,206	535,371	2,988,374
<i>Net book value</i>					
At 31 December 2018	627,973	4,125,032	29,434	371,601	5,154,040

9. Financial assets

	2019 Shares in group undertakings £
<i>Cost</i>	
At 1 January 2019	137,500
Additions	76,112
Disposals	-
At 31 December 2019	213,612
<i>Impairment</i>	£
At 1 January 2019	-
Impairment	213,612
At 31 December 2019	213,612
<i>Net Book Value</i>	
At 31 December 2019	-
At 31 December 2018	137,500

DUALITAS LTD.

Financial Statements for the Year Ended 31 December 2019

Notes to the financial statements (continued)

9. Financial assets (continued)

The company reviewed the carrying value of investments as of year-end and concluded there is full impairment during the year.

The investments consist of the ownership of the following:

Name of subsidiary	Country	Holdings at 31 December 2019	Holdings at 31 December 2018
Two Trees Photonics Ltd.	United Kingdom	100%	100%

Two Trees Photonics Ltd

The registered office of Two Trees Photonics Ltd is 5th Floor One New Change, London, United Kingdom, EC4M 9AF. Two Trees Photonics Ltd is a licensing entity and patent holder for the cross license patents with Alps Electric & Cambridge Enterprises.

10. Debtors

	2019 £	2018 £
Amounts owed by group undertakings (note 15)	586,028	583,696
VAT recoverable	-	56,806
Overseas tax	25,213	-
Other debtors	184,618	184,618
	<u>795,859</u>	<u>825,120</u>

Amounts due from group undertakings are non-interest bearing and are repayable on demand.

11. Creditors: amounts falling due within one year

	2019 £	2018 £
Trade creditors	46,156	21,889
Accruals	2,865	-
Amounts owed to group undertakings (note 15)	74,512	218,994
Other taxes and social security costs	23,831	21,963
VAT payable	24,775	-
Overseas tax	-	46,737
Other creditors	411	1,742
	<u>172,550</u>	<u>311,325</u>

Amounts due to group undertakings are non-interest bearing and are repayable on demand.

DUALITAS LTD.

Financial Statements for the Year Ended 31 December 2019

Notes to the financial statements (continued)

12. Allotted and issued share capital

<i>Allotted, called up and fully paid</i>	2019	2018
	£	£
100 ordinary shares of £1 each	100	100

There is a single class of equity shares. There are no restrictions on the distribution of dividends and the repayment of capital. All shares carry equal voting rights and rank for dividends to the extent to which the total amount on each share is paid up.

A description of each reserve within equity is outlined below:

Capital contributions

This reserve represents the financing received by the company from Dualitas Holdings Ltd. During 2019 the company received total capital contributions amounting to £776,851 (2018: £1,795,280) which were used to fund the working capital. The capital contribution balance at 31 December 2019 was £27,546,063 (2018: £26,769,212)

13. Commitments under operating leases

At 31 December 2019, the company has future minimum lease payments on office buildings due under non-cancellable operating leases as follows:

	2019	2018
	£	£
Payment due		
Not later than 1 year	153,765	153,765
Later than 1 year and not later than 5 years	55,608	209,373
Greater than 5 years	-	-
	<u>209,373</u>	<u>363,138</u>

14. Notes to the statement of cash flows

(a) Reconciliation of loss to net cash outflow from operating activities

	2018	2018
	£	£
Loss for the period	<u>(3,033,138)</u>	<u>(4,504,590)</u>
Adjustments to reconcile loss for the year to net cash outflow from operating activities		
Depreciation tangible fixed assets	152,405	148,957
Amortisation of intangible assets	2,449,180	2,424,942
Profit on disposal of investments	-	769,708
Impairment of financial asset	213,612	-
	<u>2,815,197</u>	<u>3,343,607</u>
Working capital movements		
Decrease in debtors	54,473	59,186
Decrease in creditors	<u>(91,938)</u>	<u>(749,400)</u>
	<u>(37,465)</u>	<u>(690,214)</u>
Net cash outflow from operating activities	<u>(255,406)</u>	<u>(1,851,197)</u>

DUALITAS LTD.

Financial Statements for the Year Ended 31 December 2019

Notes to the financial statements (continued)

14. Notes to the statement of cash flows (continued)

(b) Cash and cash equivalents

Cash and cash equivalents comprise the following;

	2019 £	2018 £
Cash at bank and in hand	270,620	180,850
Cash and cash equivalents	<u>270,620</u>	<u>180,850</u>

15. Related party transactions

Terms and conditions of transactions with related parties

Sales and purchases between related parties are made at normal market prices which are equivalent to those that prevail in arm's length transactions. The company has not provided or benefited from any guarantees for any related party receivables or payables. For the year ended 31 December 2019, the company has not recorded any impairment of receivables relating to amounts owed to related parties. This assessment was undertaken through examining the financial position of the related party and the market in which the related party operates.

Balances at 31 December 2019

As at 31 December 2019 amounts due to group undertakings amounted to £74,512 (2018 £218,894).

	2019 £	2018 £
Dualitas Holdings Ltd (immediate parent undertaking)	29,450	30,000
Envisics Ltd (fellow group undertaking)	45,062	188,994
	<u>74,512</u>	<u>218,994</u>

Balances at 31 December 2019

As at 31 December 2019 amounts due from group undertakings amounted to £ 586,028 (2018 £440,821).

	2019 £	2018 £
Two Trees Photonics Ltd (subsidiary undertaking)	296,523	294,191
Envisics LLC (fellow group undertaking)	289,505	289,505
	<u>586,028</u>	<u>583,696</u>

The company has availed itself of the exemption contained in FRS 102 in respect of subsidiary undertakings 100% or more of those voting rights are controlled within the group.

DUALITAS LTD.

Financial Statements for the Year Ended 31 December 2019

Notes to the financial statements (continued)

16. Parent undertaking and controlling party

The immediate parent undertaking is Dualitas Holdings Ltd a company registered in United Kingdom.

The ultimate parent undertaking and controlling party of the company is Lightfield Holdings, LP, a company formed in the United States of America.

17. Events after the reporting period

Since the balance sheet date, the COVID-19 pandemic has spread across the world. This is considered a non-adjusting post-balance sheet event and the impact of COVID-19 will be reported in the 2020 financial statements. Further details of the impact of COVID-19 on the Company and on the directors' assessment of going concern are included in note 1 of these financial statements.