Company Registration No. SC219682 (Scotland)

LUX Assure Limited

Directors' report and financial statements

For the year ended 31 December 2017

Pages for filing with the Registrar

Company information

Directors	Laurence Ormerod Professor Max Rowe Hanne Furberg Emma Perfect Matthew Pritchard Martin Anderson (appointed 13/07/2017)
Secretary	Emma Perfect
Company number	SC219682
Registered office	Unit 5.3 Heriot Watt Research Park Research Avenue South Edinburgh EH14 4AP
Auditors	Henderson Loggie, Statutory Auditor 34 Melville Street Edinburgh EH3 7HA
Bankers	Bank of Scotland 38 St Andrew Square Edinburgh EH2 2YR

Contents

Balance sheet
at 31 December 2017

	Notes	2017 £	2017 £	2016 £	2016 £
Fixed assets					
Tangible assets	4		89,507		75,461
Investments	5		218,115		218,115
			307,622		293,576
Current assets					
Stock	6	70,399		52,275	
Debtors	7	201,994		141,951	
Cash at bank and in hand		1,116,416		2,082,318	
		1,388,809		2,276,544	
Creditors: Amounts falling due within one year	8	(170,666)		(87,035)	
Net current assets			1,218,143		2,189,509
Total assets less current liabilities			1,525,765		2,483,085
Creditors: Amounts falling due after more than one year	9		(36,990)		(42,985)
			1,488,775		2,440,100
Capital and reserves					
Called up share capital	11		1,517		1,517
Reserve for own shares	12		26,384		22,113
Share premium account	12		7,766,289		7,766,289
Profit and loss account	12		(6,305,415)		(5,349,819)
Shareholders' funds			1,488,775		2,440,100

These financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies regime.

In accordance with Section 444 of the Companies Act 2006, the Profit and Loss Account has not been delivered.

The financial statements were approved and authorised for issue by the Board on 20 September 2018 and signed on their behalf by:

L. Orm /

Laurence Ormerod
Director

Company Registration No SC219682

Notes to the financial statements

for the year ended 31 December 2017

1 Accounting policies

1.1 Company Information

LUX Assure Limited is a private company, limited by shares, registered in Scotland. The company's registered number and registered office address can be found on the Company Information page.

1.2 Compliance with accounting standards and audit status

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated). The financial statements of this company have been audited. The audit firm was Henderson Loggie and Andrew Niblock was the Senior Statutory Auditor. The opinion was unqualified.

1.3 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 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

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

The financial statements do not include a cash flow statement because the company, as a small reporting entity, has claimed exemption from the requirement to prepare such a statement.

1.4 Going concern

These financial statements are also prepared on a going concern basis. The directors have considered the position of the company for the next 12 months and concluded that the use of this basis is appropriate. In considering the company's future prospects the directors have prepared detailed financial forecasts for the coming 12 months. The directors are satisfied based on reasonable sales revenue, commercial R&D opportunities, sales of investments, realistic costs and that the company will be able to actively trade for the coming 12 months.

1.5 Turnover

Turnover represents sales of goods and provision of services excluding VAT and trade discounts. Turnover from the sale of goods is recognised when the goods are physically delivered to the customer. Turnover from the supply of services is recognised in accordance with contractual rights to the extent that the service has been delivered. Where payments are received from customers in advance of goods or services being provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

1 Accounting policies *(continued)*

1.6 Research and development

Research expenditure is written off to the profit and loss account in the year in which it is incurred. Development expenditure is written off in the same way unless the directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised over the year during which the company is expected to benefit.

1.7 Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Computer equipment	3 years
Fixtures and fittings	4 years
Plant and machinery	3-5 years
Plant and machinery (project specific)	Life of project

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 or the profit and loss account.

At each reporting date, the company reviews the carrying amounts of its tangible 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 any individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1.8 Investments

Investments are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessment for impairment at each reporting date any impairment losses or reversals of impairment losses are recognised immediately in the profit and loss account.

1.9 Stock

Stock is recognised at the lower of cost and net realisable value.

1.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

1 Accounting policies *(continued)*

1.11 Financial instruments

The company 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 in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with 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 instruments
Basic financial assets, which include trade and other receivables 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 transaction 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 company 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 company after deducting all of its liabilities.

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, 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 receipts discounted at a market rate of interest.

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

1 Accounting policies *(continued)*

1.11 Financial instruments *(continued)*

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

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities
Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.12 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.13 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax
The tax currently payable is based on taxable profit for the year. The company's liability for current tax is calculated using the tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax
Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

1.14 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.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.15 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

1 Accounting policies *(continued)*

1.16 Share based payments

The fair value of equity-settled share based payments to employees is determined at the date of grant and is expensed on a straight-line basis over the vesting period based on the company's estimate of shares or options that will eventually vest.

Equity settled transactions
The cost of equity-settled transactions with employees is measured with reference to the fair value at the date on which they are granted and is recognised as an expense over the requisite service period, which for the company is the period between the grant date and the date the award vests or becomes exercisable. The fair value is determined by the company using the Black-Scholes option-pricing model. The company has elected to recognise all share-based awards issued under the straight-line attribution method.

No expense is recognised for awards that do not ultimately vest. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Ultimately, the actual expense recognised over the vesting period will be based on only those shares that vest.

At each balance sheet date before vesting, the cumulative expense is calculated. The movement in the cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

1.17 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1.18 Government grants

Governance grants are recognised at the fair value of the asset received or receivable when there is assurance that the grant conditions will be met and the grants will be received. A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specific performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

1.19 Foreign currency translation

Transactions in curries other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign curries are retranslated at the rates prevailing on the reporting end ate. Gains and losses arising on translation are included in the profit and loss account for the period.

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

2 Employees

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

	2017	2016
Total employees	**16**	12

3 Taxation

The tax charge of £0 (*2016: £1,599*) for the year relates to the R&D tax credit recognised within other income.

The company has estimated losses of £5,419,662 *(2016: £4,534,034)* available for carry forward against future trading profits.

4 Tangible fixed assets

	Total £
Cost	
At 1 January 2017	398,848
Additions	48,122
At 31 December 2017	446,970
Depreciation	
At 1 January 2017	323,387
Charge for the year	34,076
At 31 December 2017	357,463
Net book value	
At 31 December 2017	**89,507**
At 31 December 2016	75,461

5 Investments

	£
Unlisted Investments	
Cost	
1 January and 31 December 2017	**218,115**

The investment represents a 4.4% (*2016: 5.6%*) shareholding in Calcivis Limited, a company incorporated in Scotland.

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

6 Stocks

	2017	2016
	£	£
Demonstration stock	**49,755**	30,750
Raw materials	**20,644**	21,525
	70,399	52,275

7 Debtors

	2017	2016
	£	£
Trade debtors	**131,395**	59,703
Research and Development Tax Credit recoverable	**6,696**	6,396
VAT recoverable	**5,435**	18,166
Other debtors	**12,356**	14,615
Prepayments and accrued income	**46,112**	43,071
	201,994	141,951

8 Creditors: amounts falling due within one year

	2017	2016
	£	£
Trade creditors	**31,596**	40,057
Accruals and deferred income	**118,315**	30,485
Taxation and social security	**20,755**	16,493
	170,666	87,035

A bond and floating charge over the whole assets of the company is held by the bank over the credit card facility. The balance at the year end was £10,042 *(2016: £4,968)*.

9 Creditors: amounts falling due after more than one year

	2017	2016
	£	£
Trade creditors	**11,990**	17,985
Other creditors	**25,000**	25,000
	36,990	42,985

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

10 Share-based payments

Under the terms of the share option scheme (the Enterprise Management Incentive Scheme) the Board may offer selected staff options over ordinary shares of the company exercisable upon the occurrence of an asset sale, a share sale or a listing of the company. The option period is 10 years.

Options that existed under the above scheme during the year were as follows:

	Grant date	Exercise price £	No of employees	No of shares	At 31 December 2017 No of shares
At 1 January 2017	02/04/08	3.0000	3	9,500	9,500
	02/04/09	3.0000	4	14,750	14,750
	25/02/10	0.0001	4	170,087	170,087
	26/08/13	0.0600	3	296,460	296,460
	08/09/16	0.0700	10	578,622	543,622
Issued during the year	03/10/17	0.0700	3	105,000	105,000
At 31 December 2017					1,139,419

Included within the above at the period end, Emma Perfect (CEO) had 302,474 options with an exercise price ranging from £0.0001 to £3.00. Included within the above at the period end, Raymond Cowan, who acts as key management, had 100,000 options with an exercise price of £0.07. Included within the above at the period end, Jenny Young, who acted as key management, had 234,487 options with an exercise price ranging from £0.0001 to £3.00.

Unapproved share options that existed during the year were as follows:

	Grant date	Exercise price £	No of option holders	No of shares	At 31 December 2016 No of shares
At 1 January 2017 and at 31 December 2017	02/03/10	0.0001	1	121,037	121,037
	01/05/10	0.0001	1	10,000	10,000
	01/03/11	0.0001	1	43,186	43,186
	24/05/11	0.0001	1	21,593	21,593
	10/06/13	0.0001	2	106,777	106,777
					302,593

Included within the above at the period end, Laurence Ormerod had 121,037 options with an exercise price of £0.0001.

Included within the above at the period end, Max Rowe had 60,519 options with an exercise price of £0.0001.

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

10 Share-based payments *(continued)*

A summary of the share option activity in the year and related information is as follows:

	Number of options outstanding	Weighted average exercise price	Weighted average remaining life
	No.	£	Years
At 1 January 2017	1,337,012	39,836	6
Granted	105,000	3,204	9
At 31 December 2017	**1,442,012**	**43,040**	**8**

The fair value of the stock options granted is taken as the latest exercise price of £0.07 which was based on the most recent price paid for Series A-2 shares of just under £0.49. This value was discounted by 85% to reflect that the shares issued are a minority shareholding and that shareholders do not have control and are unable to have direct influence on the company's affairs. In addition, any distribution to ordinary shareholders is significantly affected by the rights of the Series A and A-2 shareholders. A further discount of 5% was applied for the restricted nature of the options issued.

The fair value of the stock options granted is calculated at each reporting date using the Black-Scholes option-pricing model using the following assumptions:

	2016
Expected term (years)	**10**
Risk free interest rate	**1.25%**
Volatility	**33%**
Weighted average grant price	**£0.01**

The expected term assumption has been set as 10 years, which is the maximum period in which the options could be exercised. The expected volatility assumption was based on the estimated volatility of the share value of LUX Assure Limited. The risk free interest rate is the 10-year UK gilt interest yield at 31 December 2016.

The total expense recognised for share-based payments in respect of employee services received during the year ended 31 December 2017 is £4,271 (2016 - £4,017).

There were no share options exercised during the year ended 31 December 2017 (2016 – none).

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

11 Share capital

	2017	2016
	£	£
Allotted, called up and fully paid		
2,619,468 Ordinary Shares of £0.0001 each	**262**	262
7,644,007 Series A Shares of £0.0001 each	**764**	764
4,908,478 Series A-2 Shares of £0.0001 each	**491**	491
	1,517	1,517

The Ordinary Shares confer each holder of Ordinary Shares the right to receive notice of and to attend, speak and vote at all general meetings of the company, and each Ordinary Share carries one vote per share.

The Series A Shares confer each holder of Series A Shares the right to receive notice of and to attend, speak and vote at all general meetings of the company; and each Series A Share carries one vote per share.

The series A-2 Shares confer each holder of Series A-2 Shares the right to receive notice of and to attend, speak and vote at all general meetings of the company, and each Series A-2 Share carries one vote per share.

12 Statement of movements on reserves

	Reserve for own shares	Share premium account	Profit and loss account
	£	£	£
Balance at 1 January 2017	22,113	7,766,289	(5,349,819)
Loss for the year	-	-	(955,596)
Credit to equity for equity settled share-based payments	4,271	-	-
Balance at 31 December 2016	**26,384**	**7,766,289**	**(6,305,415)**

13 Financial commitments

At 31 December 2017 the company was committed to making the following payments under non-cancellable operating leases:

	2017	2016
	£	£
Operating leases which expire:		
Within one year	**18,555**	43,765
Between two and five years	-	17,527
	18,555	61,292
Lease payments made in the year	**46,992**	55,759

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

14 Related party relationship and transactions

Laurence Ormerod, a director, is also a director of Ormerod Consulting Limited. Ormerod Consulting Limited was used to provide advisory services and travel expenses to the value of £14,457 *(2016: £26,262)*. The balance due by the company at the year end, including amounts accrued, was £1,067 *(2016: £1,000)*.

Professor Max Rowe, a director is also a director of Selkie Solutions Limited. Selkie Solutions Limited was used to provide advisory services and travel expenses to the value of £4,949 *(2016: £25,341)*. The balance due by the company at the year end, including amounts accrued, was £800 *(2016: £1,050)*.

15 Control

The company has no overall controlling party.

16. Audit report information

As the income statement has been omitted from the filing copy of the financial statements the following information in relation to the audit report on the statutory financial statements is provided in accordance with s444(5B) of the Companies Act 2006.

The audit report contained a material uncertainty related to going concern which stated:

"We draw attention to note 1.4 in the financial statements which indicates that the directors have prepared detailed financial projections in order to consider whether the company can continue to trade. The projections have been based on assumptions that the directors believe are realistic. However a material uncertainty exists over the achievement of these projections, that may cast significant doubt on the company's ability to continue as going concern. Our opinion is not modified in respect of this matter."

The auditor was Andrew Niblock, Henderson Loggie, Statutory Auditor, 11-15 Thistle Street, Edinburgh EH2 1DF.