

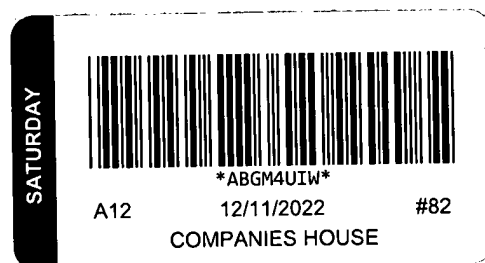
Registered number: 09857705

LUMINANCE TECHNOLOGIES LTD

FINANCIAL STATEMENTS

INFORMATION FOR FILING WITH THE REGISTRAR

FOR THE YEAR ENDED 31 DECEMBER 2021



LUMINANCE TECHNOLOGIES LTD
REGISTERED NUMBER: 09857705

BALANCE SHEET
AS AT 31 DECEMBER 2021

	Notes	2021 £	2020 £
Fixed assets			
Tangible assets	10	288,941	138,444
Investments	11	174	174
		<u>289,115</u>	<u>138,618</u>
Current assets			
Debtors: amounts falling due after more than one year	12	322,620	-
Debtors: amounts falling due within one year	12	2,579,869	1,670,587
Cash at bank and in hand	13	2,295,461	1,344,974
		<u>5,197,950</u>	<u>3,015,561</u>
Creditors: amounts falling due within one year	14	(1,883,894)	(790,897)
Net current assets		<u>3,314,056</u>	<u>2,224,664</u>
Creditors: amounts falling due after more than one year	15	(6,104,613)	-
Total assets less current liabilities being net (liabilities)/assets		<u><u>(2,501,442)</u></u>	<u><u>2,363,282</u></u>
Capital and reserves			
Called up share capital	18	29,831	29,629
Share premium account	19	18,813,062	18,791,017
Profit and loss account	19	(21,344,335)	(16,457,364)
Deficit in shareholders' funds		<u><u>(2,501,442)</u></u>	<u><u>2,363,282</u></u>

LUMINANCE TECHNOLOGIES LTD
REGISTERED NUMBER: 09857705

BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2021

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

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

The Company has opted not to file the statement of comprehensive income in accordance with provisions applicable to companies subject to the small companies' regime.

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

R S Webb
Director

DocuSigned by:

Rob Webb

550773BDC781413...

Date: 11/8/2022

The notes on pages 4 to 19 form part of these financial statements.

LUMINANCE TECHNOLOGIES LTD

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 January 2021	29,629	18,791,017	(16,457,364)	2,363,282
Comprehensive loss for the year				
Loss for the year	-	-	(5,165,954)	(5,165,954)
Total comprehensive loss for the year	-	-	(5,165,954)	(5,165,954)
Shares issued during the year	202	22,045	-	22,247
Credit to equity for share based payments	-	-	278,983	278,983
Total transactions with owners	202	22,045	278,983	301,230
At 31 December 2021	29,831	18,813,062	(21,344,335)	(2,501,442)

The notes on pages 4 to 19 form part of these financial statements.

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

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 January 2020	29,615	18,791,017	(12,208,936)	6,611,696
Comprehensive loss for the year				
Loss for the year	-	-	(4,421,116)	(4,421,116)
Total comprehensive loss for the year	-	-	(4,421,116)	(4,421,116)
Shares issued during the year	14	-	-	14
Credit to equity for share based payments	-	-	172,688	172,688
Total transactions with owners	14	-	172,688	172,702
At 31 December 2020	29,629	18,791,017	(16,457,364)	2,363,282

The notes on pages 4 to 19 form part of these financial statements.

LUMINANCE TECHNOLOGIES LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. General information

Luminance Technologies Ltd is a private company limited by shares and incorporated in England and Wales. Registered number 09857705. Its registered office is located at Nine Hills Road, Cambridge, CB2 1GE.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

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

The following principal accounting policies have been applied:

2.2 Going concern

During the year the Company made a loss of £5,165,954 (2020 - loss of £4,421,116) and as at 31 December 2021 had net liabilities amounting to £2,501,442. The Company expects to continue to invest and incur further losses before its technology and market matures to the point that it is generating positive cash inflows from its operating activities. To date the Company has been funded through share issues to its shareholders and also through convertible loan notes to some of its shareholders, of which £6.1m was received in February 2021 and £10.0m was received in May 2022.

The directors have prepared cash flow forecasts, which indicate that the Company may require further funding within the next 12 months if the timing of the revenue growth is below that forecasted which is uncertain given the current global economic uncertainty. To enable the Company to continue its activities and meet its liabilities as they fall due, the Company will utilise cash from its revenue streams, R&D tax credits and will also require additional funding from new and existing investors/shareholders. The process of obtaining additional funding is in the early stages and these factors combined indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern and therefore it may, in the absence of other funding alternatives, be unable to realise its assets and discharge its liabilities in the normal course of business. The directors are confident that either revenue growth or further funding will be achieved and therefore have prepared these financial statements on a going concern basis.

The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern but would include writing down the carrying value of assets, including providing for further liabilities as they arise.

2.3 Exemption from preparing consolidated financial statements

The Company, and the Group headed by it, qualify as small as set out in section 383 of the Companies Act 2006 and the parent and Group are considered eligible for the exemption to prepare consolidated accounts.

LUMINANCE TECHNOLOGIES LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)

2.4 Revenue

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

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Appliances	- 5 years
Computer equipment	- 2 to 3 years
Fixtures and fittings	- 2 to 3 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.6 Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.7 Debtors

Short term debtors are measured at transaction price, less any impairment.

LUMINANCE TECHNOLOGIES LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)

2.8 Cash and cash equivalents

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

2.9 Financial instruments

The Company has entered into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors and loans to related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received.

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

2.10 Creditors

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

2.11 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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

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

2.12 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount.

LUMINANCE TECHNOLOGIES LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)

2.13 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Balance Sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees, profit or loss is charged with fair value of goods and services received.

2.14 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in other creditors as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds

2.15 Interest income

Interest income is recognised in profit or loss using the effective interest method.

LUMINANCE TECHNOLOGIES LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2. Accounting policies (continued)

2.16 Taxation

Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.17 Operating leases: the Company as lessee

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

2.18 Convertible debt

The proceeds received on issue of the Company's convertible debt are allocated into their liability and equity components and presented separately in the Balance Sheet.

The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that did not include an option to convert.

The difference between the net proceeds of the convertible debt and the amount allocated to the debt component is credited direct to equity and is not subsequently remeasured. On conversion, the debt and equity elements are credited to share capital and share premium as appropriate.

Transaction costs that relate to the issue of the instrument are allocated to the liability and equity components of the instrument in proportion to the allocation of proceeds.

LUMINANCE TECHNOLOGIES LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

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

The preparation of financial information in conformity with FRS 102 requires the directors to make critical accounting estimates and judgements that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The key judgement area impacting the financial statements is the directors' assessment regarding going concern and is discussed in note 2.2.

The key sources of estimation uncertainty affecting the financial statement are the measurement of the share based payment expense and the measurement of the liability component of the convertible debt. The key estimates made as part of the determination of the share based payment expense are the fair value of the options when they were granted, and the length of the vesting period. The key estimate made as part of the determination of the liability component is the market rate of interest that would be payable on a similar debt that does not include a conversion option.

4. Turnover

Turnover in the current year and the prior year is attributable to the principal activity of the Company.

Analysis of turnover by country of destination:

	2021 £	2020 £
United Kingdom	1,024,436	876,268
Rest of Europe	1,529,787	1,185,875
Rest of the World	1,280,417	715,878
	<u>3,834,640</u>	<u>2,778,021</u>

5. Operating loss

The operating loss is stated after charging:

	2021 £	2020 £
Depreciation of tangible fixed assets	111,877	113,249
Net foreign exchange losses	21,280	111,205
Other operating lease rentals	318,165	18,838
Share based payment charge	<u>278,983</u>	<u>172,688</u>

6. Auditor's remuneration

Fees payable to the Company's auditor for the audit of the Company's annual financial statements totalled £22,000 (2020 - 22,000).

LUMINANCE TECHNOLOGIES LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

7. Employees

The average monthly number of employees, including executive directors, during the year was 101 (2020 - 89).

8. Directors' remuneration

	2021 £	2020 £
Directors' emoluments	<u>35,000</u>	<u>34,995</u>

None of the directors were accruing retirement benefits in respect of defined contribution pension schemes in either the current or prior years.

9. Taxation

	2021 £	2020 £
Current tax		
Research and development tax credit on losses for the year	<u>585,123</u>	<u>574,881</u>
Taxation on loss on ordinary activities	<u>585,123</u>	<u>574,881</u>

LUMINANCE TECHNOLOGIES LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

9. Taxation (continued)
Factors affecting tax credit for the year

The tax assessed for the year is higher than (2020 - higher than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £	2020 £
Loss on ordinary activities before tax	<u>(5,751,077)</u>	<u>(4,995,997)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	(1,092,705)	(949,239)
Effects of:		
Expenses not deductible for tax purposes	60,307	39,963
Other permanent differences	(32,215)	(4,877)
Surrender of tax losses for R&D tax credit refund	(585,123)	178,411
Additional deduction for R&D expenditure	(433,359)	(425,774)
Deferred tax asset not recognised	1,497,972	586,635
Total tax credit for the year	<u><u>(585,123)</u></u>	<u><u>(574,881)</u></u>

Factors that may affect future tax charges

On 3 March 2021, the Chancellor of the Exchequer announced that the main rate of corporation tax in the United Kingdom will rise to 25% with effect from 1 April 2023 for companies earning annual taxable profits in excess of £250,000. Companies earning annual taxable profits of £50,000 or less will continue to pay corporation tax at 19% with a marginal rate adjustment for companies earning annual taxable profits between the two levels. Accordingly, all recognised and unrecognised deferred tax assets and liabilities are stated at 25%.

At 31 December 2021, the Company had tax losses amounting to approximately £17.2m (2020 - £13.3m) which are available for offset against future taxable profits. A deferred tax asset of £4.3m (2020 - £2.5m) has not been recognised as the directors consider that it is uncertain that the tax losses will be utilised in the foreseeable future and would result in a reduction of the unrecognised deferred tax asset as at 31 December 2021 amounting to £1.0m.

LUMINANCE TECHNOLOGIES LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

10. Tangible fixed assets

	Appliances £	Computer equipment £	Fixtures and fittings £	Total £
Cost				
At 1 January 2021	87,858	293,596	-	381,454
Additions	-	147,483	114,890	262,373
At 31 December 2021	87,858	441,079	114,890	643,827
Depreciation				
At 1 January 2021	69,632	173,377	-	243,009
Charge for the year on owned assets	17,056	87,014	7,807	111,877
At 31 December 2021	86,688	260,391	7,807	354,886
Net book value				
At 31 December 2021	1,170	180,688	107,083	288,941
At 31 December 2020	18,226	120,219	-	138,445

11. Fixed asset investments

	Investments in subsidiary companies £
Cost and net book value	
At 1 January 2021	174
At 31 December 2021	174

LUMINANCE TECHNOLOGIES LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

11. Fixed asset investments (continued)**Subsidiary undertakings**

As at 31 December 2021 the following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
Luminance Limited	Nine Hills Road, Cambridge, CB2 1GE	Ordinary	100%
Luminance, Inc.	Nine Hills Road, Cambridge, CB2 1GE	Ordinary	100%

On 10 March 2022, the Company incorporated a wholly owned dormant subsidiary undertaking, Luminance Technology Limited for a consideration of £100.

LUMINANCE TECHNOLOGIES LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

12. Debtors

	2021 £	2020 £
Due after more than one year		
Other debtors	322,620	-
	<u>322,620</u>	<u>-</u>
Due within one year		
Trade debtors	618,145	289,078
Amounts owed by subsidiary undertaking	-	386,699
Corporation tax receivable	1,160,059	594,098
Called up share capital not paid	22,247	-
VAT receivable	142,749	40,377
Other debtors	1,588	2,172
Prepayments and accrued income	635,081	358,163
	<u>2,579,869</u>	<u>1,670,587</u>

13. Cash and cash equivalents

	2021 £	2020 £
Cash at bank and in hand	2,295,461	1,344,974
	<u>2,295,461</u>	<u>1,344,974</u>

14. Creditors: Amounts falling due within one year

	2021 £	2020 £
Trade creditors	374,714	208,208
Amounts owed to subsidiary undertakings	174	-
Other taxation and social security	121,033	121,466
Other creditors	33,051	23,372
Accruals and deferred income	1,354,922	437,851
	<u>1,883,894</u>	<u>790,897</u>

LUMINANCE TECHNOLOGIES LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

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

	2021 £	2020 £
Convertible loan notes	<u>6,104,613</u>	<u>-</u>

In February 2021, the Company secured funding through a convertible loan note agreement with new and existing investors. The loan notes attract interest at 8% per annum, which will be converted into shares upon conversion. The loan notes will mature and convert into shares after 36 months from the date of issue unless an earlier conversion event occurs, or a majority of the lenders request cash repayment by giving 30 days' notice.

16. Loans

Analysis of the maturity of loans is given below:

	2021 £	2020 £
Amounts falling due 2-5 years		
Convertible loan notes	<u>6,104,613</u>	<u>-</u>

17. Financial instruments

	2021 £	2020 £
Financial assets		
Financial assets that are debt instruments measured at amortised cost	<u>3,237,814</u>	<u>2,022,923</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>7,867,474</u>	<u>669,432</u>

Financial assets measured at amortised cost comprise cash and cash equivalents, trade debtors, other debtors and amounts owed from subsidiary undertaking.

Financial liabilities measured at amortised cost comprise of trade creditors, amounts owed to subsidiary undertakings, other creditors, accruals and deferred income and convertible loan notes.

LUMINANCE TECHNOLOGIES LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

18. Share capital

	2021 £	2020 £
Allotted, called up and fully paid		
1,000,000 (2020 - 1,000,000) A Ordinary shares of £0.01 each	10,000	10,000
1,962,928 (2020 - 1,962,928) B Ordinary shares of £0.01 each	19,629	19,629
20,225 (2020 - Nil) Growth shares of £0.01 each	202	-
	<u>29,831</u>	<u>29,629</u>

Share rights

A Ordinary shares carry full voting rights but have no rights to dividends. Holders of A Ordinary shares are not conferred any rights to distribution, with the exception of £0.01 for each A Ordinary share held.

B Ordinary shares carry full voting rights, entitlement to dividends and a right to distributions after repayment of the capital of the A Ordinary shares shareholders.

The Growth shares do carry any voting rights or entitlement to dividends. They may be purchased by the Company at an amount equal to the original subscription price or may be converted into deferred shares. In the event of a winding-up, the Growth shares entitle the holder to participate in excess of a hurdle amount set for the shares at the time of issue.

Share issues

During the year the Company issued 20,225 Growth shares for a consideration of £22,247. The consideration remained outstanding as at 31 December 2021.

19. Reserves

Share premium account - includes any premium received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Profit and loss account - includes the current and prior year losses.

LUMINANCE TECHNOLOGIES LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

20. Share based payments

The Company has a share option scheme for certain employees. Share options are exercisable at prices determined at the date of grant. The share options vest in 6 month equal tranches over 3 years, subject to continued employment. Options are lapsed if the employee leaves the Company before the option vests. The contractual life of the share options is 10 years.

Movements in the number of share options outstanding and their weighted average exercise prices are as follows:

	Weighted average exercise price (pence) 2021	Number 2021	Weighted average exercise price (pence) 2020	Number 2020
Outstanding at the beginning of the year	1,681	63,834	933	52,157
Granted during the year	4,051	13,975	4,230	17,750
Lapsed during the year	(3,845)	(10,349)	(2,362)	(4,684)
Exercised during the year	(2,335)	(145)	(1)	(1,389)
Outstanding at the end of the year	1,891	67,315	1,681	63,834

The weighted average fair value of options granted during the year ended 31 December 2021 was £26.21 (2020 - £31.70). There are 50,231 options exercisable at the year ended 31 December 2021 (2020 - 47,373) with a weighted average exercise price of £11.57 (2020 - £10.11).

The fair value of share based payments has been calculated using the Black-Scholes option pricing model. Expected volatility was determined based on the historic volatility of comparable companies. The expected life is the expected period from date of grant to exercise based on management's best estimate. The following assumptions were used in the model for options granted during the year ended 31 December 2021 and 2020:

	2021	2020
Weighted average share price	£39.52	£41.91
Exercise price (dollars)	\$54.60	\$54.60
Weighted average contractual life (years)	8	5
Expected volatility	65%	100%
Expected dividend growth rate	0%	0%
Risk-free interest rate	1.50%	3.05%

LUMINANCE TECHNOLOGIES LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

20. Share based payments (continued)

	2021 £	2020 £
Equity-settled schemes	<u>278,983</u>	<u>172,688</u>

21. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £127,895 (2020 - £116,477). Contributions totalling £33,051 (2020 - £23,372) were payable to the fund at the Balance Sheet date and are included in other creditors.

22. Related party transactions

During the year the Company has received cash funding and been recharged costs amounting to £868,335 (2020 - £1,254,541) from ICP London Limited, a related undertaking. At 31 December 2021 £Nil (2020 - £47,282) was owed to ICP London Limited.

During the year the Company has provided cash funding to a wholly owned subsidiary undertaking Luminance, Inc. amounting to £605,654 (2020 - £393,399), and has had costs recharged of £488,564 (2020 - £595,720). At 31 December 2021, the Company owed Luminance, Inc. £74 (2020 - Luminance, Inc. owed the Company £386,699).

At 31 December 2021 the Company owed £100 (2020 - £100) to Luminance Limited, a wholly owned subsidiary undertaking.

Aggregate remuneration to key management personnel in the year remunerated by Luminance Technologies Ltd was £561,065 (2020 - £921,788). Additional individuals that are identified as key management personnel, who are not directors of Luminance Technologies Ltd, are remunerated through a fellow group undertaking and the cost is incurred by the Company through a management charge amounting to £571,196 (2020 - £502,706) for the year.

23. Post balance sheet events

In May 2022, the Company secured funding of £10.0m through a convertible loan note agreement with new and existing investors.

In February 2022, the board of directors agreed to grant 5,800 share options with a \$54.60 exercise price to employees.

24. Controlling party

As at 31 December 2021, the Company's immediate and ultimate parent undertaking and controlling party was Luminance Holding Limited, a company registered in the British Virgin Islands.

LUMINANCE TECHNOLOGIES LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

25. Auditor's information

The auditor's report on the financial statements for the year ended 31 December 2021 was unqualified.

In their report, the auditor emphasised the following matter without qualifying their report:

We draw attention to note 2.2 in the financial statements, which indicates that the Company has incurred a loss for the year of £5,165,954 and is expecting future losses. Current cash balances are insufficient to fund forecast net expenditure based upon current revenue levels, and therefore additional funding will be required by the Company within the foreseeable future, being a period of 12 months from the date of approval of these financial statements. As stated in note 2.2, these events or conditions, along with the other matters as set forth in note 2.2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

The audit report was signed on 1 November 2022 by Adam Smith (Senior Statutory Auditor) on behalf of Scrutton Bland LLP.