

Surrey Nanosystems Limited

Registered number: 03781545

**Information for
filing with registrar**

For the year ended 30 June 2019

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Note	2019 £	2018 £
Fixed assets			
Intangible assets	6	196,125	192,142
Tangible assets	7	1,338,325	553,117
		1,534,450	745,259
Current assets			
Stocks	8	54,519	67,361
Debtors: amounts falling due within one year	9	588,216	280,566
Cash at bank and in hand	10	4,591,142	6,005,744
		5,233,877	6,353,671
Creditors: amounts falling due within one year	11	(613,283)	(190,103)
		4,620,594	6,163,568
Net current assets			
		6,155,044	6,908,827
Creditors: amounts falling due after more than one year		(254,177)	-
		5,900,867	6,908,827
Net assets			
Capital and reserves			
Called up share capital	14	1,639	1,639
Share premium account	15	15,792,875	15,792,875
Profit and loss account	15	(9,893,647)	(8,885,687)
		5,900,867	6,908,827

The directors consider that the company is entitled to exemption from audit under section 477 of the Companies Act 2006 and members have not required the company to obtain an audit for the year in question in accordance with section 476 of the Companies Act 2006.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

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.

SURREY NANOSYSTEMS LIMITED
REGISTERED NUMBER: 03781545

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 30 JUNE 2019

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:

Dr. D C Wong
Director

Date: 12 June 2020

The notes on pages 3 to 16 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

1. General information

Surrey Nanosystems Limited is a private company limited by shares incorporated in England and Wales. The address of its registered office is The Walbrook Building, 25 Walbrook, London, England, EC4N 8AF.

The company focuses on the development, manufacture and application of its Vantablack® coatings in a range of sectors. These specialised coatings are often applied to Customers' parts by the company at its bespoke facility, though on-site application of some products in the range is supported.

The financial statements have been presented in Pound Sterling as this is currency of the primary economic environment in which the company operates and is rounded to the nearest pound.

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 judgement in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Going concern

These financial statements have been prepared on a going concern basis. The directors, having considered the financial performance, position and cash flow forecasts of the company for a period of at least twelve months from the date of signing these financial statements, have no reason to believe that a material uncertainty exists that may cast doubt about the ability of the company to continue as a going concern. Accordingly the directors have a reasonable expectation that the company will continue in operational existence and thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

2. Accounting policies (continued)

2.3 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and the turnover can be reliably measured. Turnover 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 turnover is recognised:

Sale of goods

Turnover from the sale of goods is recognised when all of the following conditions are satisfied:

- the company has transferred the significant risks and rewards of ownership to the buyer;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of turnover can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Turnover 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 turnover 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.

2.4 Intangible fixed assets and amortisation

Patent expenses are only capitalised if there is reasonable expectations that the patent will be granted in the area to which the expense is related. This is decided by looking at whether the patent has been granted in other geographical regions, if so it is deemed more likely than not that the patent will at some stage be granted and therefore the expense can be capitalised. After capitalisation, under the cost model patents are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Amortisation is provided on the following basis:

Patents	- 10 years
Patents not granted	- not amortised
Computer software	- 3 years

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life should not exceed ten years.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

2. Accounting policies (continued)

2.5 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

2.6 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:

Plant & machinery	-	20% straight line
Leased office equipment	-	Over the terms of the lease
Fixtures & fittings	-	20% straight line
Office equipment	-	20% straight line
Computer equipment	-	20% straight line
Assets under the course of construction	-	not to be depreciated

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 the Statement of Comprehensive Income.

2.7 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.8 Debtors

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

2. Accounting policies (continued)

2.9 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.

2.10 Financial instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

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. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

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.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is an 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

2.11 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

2. Accounting policies (continued)

2.12 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.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

2.13 Finance costs

Finance costs are charged to the Statement of Comprehensive Income 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. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.14 Operating leases: the company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

2. Accounting policies (continued)

2.15 Leased assets: the company as lessee

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Statement of Comprehensive Income so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

2.16 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

2.17 Taxation

Tax is recognised in the Statement of Comprehensive Income, 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 reporting 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 Statement of Financial Position 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 reporting date.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

2. Accounting policies (continued)

2.18 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

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

Critical judgements in applying the company's accounting policies

The critical judgements that the directors have made in the process of applying the company's accounting policies that have the most significant effect on the statutory financial statements are discussed below.

Assessing indicators of impairment

In assessing whether there have been any indicators of impairment assets, the directors have considered both external and internal sources of information such as market conditions, counterparty credit ratings and experience of recoverability. There have been no indicators of impairments identified during the current financial year.

Key sources of estimation uncertainty

Determining useful economic lives of tangible fixed assets

The company depreciates tangible fixed assets over their estimated useful lives. The estimation of the useful lives of assets is based on historic performance as well as expectations about future use and therefore requires estimates and assumptions to be applied by management. The actual lives of these assets can vary depending on variety of factors, including technological innovation, product life cycles and maintenance programmes.

The judgement is applied by management when determining the residual values for tangible fixed assets. When determining the residual value management aim to assess the amount that the company would currently obtain for the disposal of the asset, if it were already of the condition expected at the end of its useful life. Where possible this is done with reference to external market prices.

Recoverability of debtors

The company establishes a provision for debtors that are estimated not to be recoverable. When assessing recoverability the directors have considered factors such as the aging of the debtors, past experience of recoverability, and the credit profile of individual or groups of customers.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

4. Employees

The average monthly number of employees, including directors, during the year was 25 (2018 - 15).

5. Directors' remuneration

	2019 £	2018 £
Directors' emoluments	236,743	256,400
	<u>236,743</u>	<u>256,400</u>

During the year there were no benefits accruing to the directors under money purchase pension schemes (2018: £nil).

6. Intangible assets

	Patents £	Patents not granted £	Computer software £	Total £
Cost				
At 1 July 2018	170,306	112,805	-	283,111
Additions - internal	-	-	19,485	19,485
Patents granted	6,126	(6,126)	-	-
At 30 June 2019	<u>176,432</u>	<u>106,679</u>	<u>19,485</u>	<u>302,596</u>
Amortisation				
At 1 July 2018	90,969	-	-	90,969
Charge for the year	11,506	-	3,996	15,502
At 30 June 2019	<u>102,475</u>	<u>-</u>	<u>3,996</u>	<u>106,471</u>
Net book value				
At 30 June 2019	<u>73,957</u>	<u>106,679</u>	<u>15,489</u>	<u>196,125</u>
At 30 June 2018	<u>79,337</u>	<u>112,805</u>	<u>-</u>	<u>192,142</u>

SURREY NANOSYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

7. Tangible fixed assets

	Plant & machinery	Leased office equipment	Fixtures & fittings	Office equipment	Computer equipment	Assets under the course of construction	Total
	£	£	£	£	£	£	£
Cost							
At 1 July 2018	996,162	-	352,889	11,647	64,706	79,922	1,505,326
Additions	396,082	399,014	74,914	2,365	26,411	50,810	949,596
Disposals	-	-	-	-	-	(10,685)	(10,685)
Transfers between classes	69,237	-	-	-	-	(69,237)	-
	1,461,481	399,014	427,803	14,012	91,117	50,810	2,444,237
At 30 June 2019							
Depreciation							
At 1 July 2018	695,185	-	195,627	7,671	53,726	-	952,209
Charge for the year	127,762	-	18,178	1,016	6,747	-	153,703
	822,947	-	213,805	8,687	60,473	-	1,105,912
At 30 June 2019							
Net book value							
At 30 June 2019	<u>638,534</u>	<u>399,014</u>	<u>213,998</u>	<u>5,325</u>	<u>30,644</u>	<u>50,810</u>	<u>1,338,325</u>
At 30 June 2018	<u>300,977</u>	<u>-</u>	<u>157,262</u>	<u>3,976</u>	<u>10,980</u>	<u>79,922</u>	<u>553,117</u>

SURREY NANOSYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

7. Tangible fixed assets (continued)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

7. Tangible fixed assets (continued)

Leased office equipment with carrying value of £399,014 and plant and machinery with carrying value of £59,911 are held under finance lease and hire purchase agreements respectively.

8. Stocks

	2019	2018
	£	£
Stock	54,519	67,361
	<u>54,519</u>	<u>67,361</u>

9. Debtors

	2019	2018
	£	£
Trade debtors	157,675	4,433
Other debtors	28,861	68,235
Prepayments and accrued income	54,187	56,889
Tax recoverable	347,493	151,009
	<u>588,216</u>	<u>280,566</u>

10. Cash and cash equivalents

	2019	2018
	£	£
Cash at bank and in hand	4,591,142	6,005,744
	<u>4,591,142</u>	<u>6,005,744</u>

Included in above balance is £160,000 (2018: £nil) bank deposit, which is pledged against cheque clearance arrangement with the bank.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

11. Creditors: Amounts falling due within one year

	2019 £	2018 £
Trade creditors	261,654	90,181
Other taxation and social security	45,270	33,030
Obligations under finance lease and hire purchase contracts	191,086	-
Other creditors	45,258	13,478
Accruals and deferred income	70,015	53,414
	<u>613,283</u>	<u>190,103</u>

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

	2019 £	2018 £
Net obligations under finance leases and hire purchase contracts	254,177	-
	<u>254,177</u>	<u>-</u>

13. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2019 £	2018 £
Within one year	191,086	-
Between 1-5 years	254,177	-
	<u>445,263</u>	<u>-</u>

Leased office equipment is held under finance lease arrangements. It includes fixed lease payments and a purchase option at the end of the lease term. Certain assets held under hire purchase are also included in the above total.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

14. Share capital

	2019	2018
	£	£
Allotted, called up and fully paid		
39,233 (2018 - 39,233) ordinary shares of £0.0100 each	392	392
124,256 (2018 - 124,256) A ordinary shares of £0.0100 each	1,243	1,243
43,261 (2018 - 43,261) A2 ordinary shares of £0.0001 each	4	4
	<hr/>	<hr/>
	<u>1,639</u>	<u>1,639</u>

Holders of all classes of shares are entitled to equal voting rights.

On liquidation or other return of capital event, the holders of A ordinary shares and A2 ordinary shares are entitled to a sum equal to the issue price of the shares plus £100 pro rata to their shareholding less 0.0001% of the sum payable to ordinary shareholders. Once such sum has been satisfied, the ordinary shares, A ordinary shares and A2 shares rank pari-passu for distributions.

In the event of a sale of the company and dependant on the level of consideration achieved ordinary shares rank behind A ordinary shares and A2 shares, whereby the holders of the A ordinary shares and A2 ordinary shares will receive their issue price back first ahead of any return to the holder of ordinary shares.

15. Reserves

Share premium account

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

Profit & loss account

This includes all the current and prior period retained profits and losses.

16. Related party transactions

During the year the company was charged £23,119 (2018: £16,622) for monthly monitoring and provision of Company Secretarial services by IP Group Plc, a company with a significant shareholding.

During the year the company was charged £15,000 (2018: £15,000) for monthly monitoring by Octopus Ventures Limited, a company with a significant shareholding. At 30 June 2019, there was an amount of £nil (2018: £1,500) due to Octopus Ventures Limited. This amount was included within trade creditors.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

17. Post balance sheet events

Due to the recent outbreak of COVID-19 Surrey Nanosystems Limited has assumed a sharply declining “V” shaped revenue profile for the year to February 2021, with only those contracts that have already been awarded assumed to be fulfilled. Capital expenditures have been held, and Contract Resources either released or moved to a retained basis. Non Production staff will be furloughed for a proportion of this time, to ensure sufficient cash is conserved for a rapid ramp-up once the pandemic is contained.

18. Controlling party

During the current and prior year the directors consider there to be no overall controlling party of the company.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.