
NKT PHOTONICS LTD

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

FRIDAY




A11 *ABJFNFKH* #171
23/12/2022
COMPANIES HOUSE

DS
JF

NKT PHOTONICS LTD

COMPANY INFORMATION

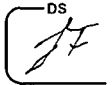
Directors	B Garabet D B Riddell
Company secretary	No company secretary
Registered number	04645475
Registered office	Unit 20, Compass Point Ensign Way Hamble Southampton Hampshire SO31 4RA

DS


NKT PHOTONICS LTD

CONTENTS

	Page
Strategic report	1 - 2
Directors' report	3 - 4
Independent auditor's report	5 - 7
Statement of comprehensive income	8
Balance sheet	9
Statement of changes in equity	10
Statement of cash flows	11 - 12
Notes to the financial statements	13 - 25

DS


NKT PHOTONICS LTD

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021**

Introduction

NKT Photonics Limited is wholly owned by NKT Photonics Holding Limited, which is wholly owned by NKT Photonics A/S, Denmark.

NKT Photonics Limited (the Company) is working on engineering projects for the NKT Photonics group. The company is currently running research and development projects in two areas; (1) ultrafast laser for industrial applications and (2) A&D projects with Prime Contractors for defence applications and aerospace applications.

Production is prototype builds, and all sales is done via NKT Photonics group companies.

Business review

The Company generates revenue from project funding as well as component/prototype sales.

Revenue for the Company decreased in 2021 to GBP 2,104,429 from GBP 2,589,608 in 2020 and the Company delivered an operating profit of GBP 330,539 compared to GBP 1,108,423 in 2020.

Business for the Company will continue to develop with activities within the Aerospace & Defence area as well as with potential expanded activities for ultrafast lasers. Fluctuations in business is expected as the projects move through the cycle of development combined with the development of the project portfolio for the company. The Company is a key site for the group's current activities within Aerospace and Defence as well as ultrafast lasers.

Approximately 47 FTE's were employed by the company in December 2021; hereof 25 in research and Development, 12 in Operations and 5 in production.

The Company constitutes together with group headquarters in Denmark and facilities in Switzerland and US the key company locations for engineering and production.

Principal risks and uncertainties

Interest rate risk

As the Company is primarily financed with floating rate loans, the Company has an interest rate risk towards changes in interest rates.

Currency risks

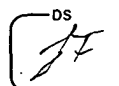
Activities in foreign countries has an impact on earnings, cashflows and equity as these are affected by exchange rates and interest rates in a number of currencies.

Business risks

The business development is dependent on the success and development within the areas of ultrafast lasers and Aerospace and Defence projects. The A&D projects are done with Prime Contractors, and the risk to the business is a mix of technical risks in succeeding in the projects within the Company combined with the business risks associated with the Company's ability to identify and collaborate with Prime Contractors as well as the Prime Contractors' ability to attract and run relevant projects.

Financial key performance indicators

The KPIs used by the management of the Company are gross margin and solvency ratio. Looking at the results as presented in these financial statements yields the following:



NKT PHOTONICS LTD

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

This report was approved by the board on 16 december
2022

and signed on its behalf.

DocuSigned by:

Basil Garabet

E567CC62E08549D...

B Garabet
Director

NKT PHOTONICS LTD

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021**

The directors present their report and the financial statements for the year ended 31 December 2021.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- 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 to 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.

Results and dividends

The profit for the year, after taxation, amounted to £353,719 (2020 - £986,381).

No dividends were paid or proposed for the year (2020 - £2,739,420).

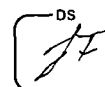
Directors

The directors who served during the year were:

B Garabet
D B Riddell

Future developments

The Company will continue to pursue profitable projects in the ultrafast lasers and A&D sectors.



NKT PHOTONICS LTD

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

Disclosure of information to auditor

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

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Post balance sheet events

There have been no significant events affecting the Company since the year end.

Auditor

The auditor, Crowe U.K. LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 16 december
2022

and signed on its behalf.

DocuSigned by:

Basil Garabet

E567CC62E08549D...

B Garabet
Director

NKT PHOTONICS LTD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NKT PHOTONICS LTD

Qualified opinion

We have audited the financial statements of NKT Photonics Limited (the 'Company') for the year ended 31 December 2021, which comprise the Statement of comprehensive income, the Balance sheet, the Statement of cash flows, the Statement of changes in equity and the related notes, 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 Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion section of our report, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its profit 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 qualified opinion

We were not appointed as auditor of the company until after 31 December 2021 and thus did not observe the counting of physical inventories at the end of the year. We were unable to satisfy ourselves by using other audit procedures concerning the inventory quantities held at 31 December 2021 relating to certain projects, which are included in the balance sheet at £982,056.

Consequently we were unable to determine whether any adjustment to this amount was necessary.

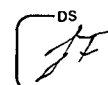
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.



NKT PHOTONICS LTD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NKT PHOTONICS 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 contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

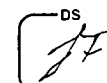
We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- 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.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 3, 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.



NKT PHOTONICS LTD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NKT PHOTONICS LTD (CONTINUED)

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We obtained an understanding of the legal and regulatory frameworks within which the company operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006, and Taxation and Financial Services legislation.

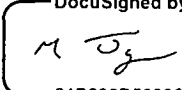
We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management.

Our audit procedures completed to respond to risks of management override of controls included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals and reviewing accounting estimates for indication of bias.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: 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:

61B698D56898450...

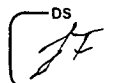
Michael Jayson (Senior statutory auditor)

for and on behalf of
Crowe U.K. LLP

Statutory Auditor

3rd floor
The Lexicon
Mount Street
Manchester
M2 5NT

Date: 22 December 2022



NKT PHOTONICS LTD

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	2021 £	2020 £
Turnover	4	2,104,429	2,589,608
Cost of sales		(4,323,885)	(3,597,780)
Gross loss		(2,219,456)	(1,008,172)
Administrative expenses		(2,364,187)	(2,660,427)
Other operating income	5	4,990,952	4,777,022
Operating profit		407,309	1,108,423
Interest receivable and similar income	8	30	63
Interest payable and similar expenses	9	(138,245)	(122,105)
Profit before tax		269,094	986,381
Tax on profit	10	84,625	-
Profit for the financial year		353,719	986,381

There was no other comprehensive income for 2021 (2020:£NIL).

The notes on pages 13 to 25 form part of these financial statements.

NKT PHOTONICS LTD
REGISTERED NUMBER: 04645475

BALANCE SHEET
AS AT 31 DECEMBER 2021

	Note	2021 £	2020 £
Fixed assets			
Intangible assets	12	3,523,987	3,064,289
Tangible assets	13	1,385,803	1,675,167
		<u>4,909,790</u>	<u>4,739,456</u>
Current assets			
Stocks	14	2,401,856	1,779,709
Debtors	15	4,056,299	7,738,409
		<u>6,458,155</u>	<u>9,518,118</u>
Creditors: amounts falling due within one year	16	(3,708,920)	(6,952,268)
Net current assets		<u>2,749,235</u>	<u>2,565,850</u>
Total assets less current liabilities		<u>7,659,025</u>	<u>7,305,306</u>
Net assets		<u><u>7,659,025</u></u>	<u><u>7,305,306</u></u>
Capital and reserves			
Called up share capital	18	955	955
Share premium account	19	10,081	10,081
Profit and loss account	19	7,647,989	7,294,270
		<u>7,659,025</u>	<u>7,305,306</u>

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

DocuSigned by:

Basil Garabet

0B135AAB183E4CE...

B Garabet

Director

Date: 16 December
2022

The notes on pages 13 to 25 form part of these financial statements.

DS
JF

NKT PHOTONICS 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 2020	955	10,081	9,047,309	9,058,345
Profit for the year	-	-	986,381	986,381
Dividends in specie	-	-	(2,739,420)	(2,739,420)
At 1 January 2021	<u>955</u>	<u>10,081</u>	<u>7,294,270</u>	<u>7,305,306</u>
Profit for the year	-	-	353,719	353,719
At 31 December 2021	<u><u>955</u></u>	<u><u>10,081</u></u>	<u><u>7,647,989</u></u>	<u><u>7,659,025</u></u>

The notes on pages 13 to 25 form part of these financial statements.

NKT PHOTONICS LTD

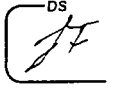
**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021**

	2021 £	2020 £
Cash flows from operating activities		
Profit for the financial year	353,719	986,381
Adjustments for:		
Amortisation of intangible assets	151,167	157,293
Depreciation of tangible assets	576,851	526,556
Interest paid	138,245	122,105
Interest received	(30)	(63)
Taxation charge	(84,825)	(108,399)
(Increase) in stocks	(622,147)	(636,559)
(Increase)/decrease in debtors	(10,680)	132,480
Decrease/(increase) in amounts owed by groups	3,777,615	(947,906)
(Decrease) in creditors	(688,631)	(404,148)
(Decrease)/increase in amounts owed to groups	(1,161,284)	638,211
Net cash generated from operating activities	2,430,000	465,951
Cash flows from investing activities		
Purchase of intangible fixed assets	(610,865)	(1,124,957)
Purchase of tangible fixed assets	(316,974)	(756,252)
Sale of tangible fixed assets	29,487	-
Interest received	30	63
Net cash from investing activities	(898,322)	(1,881,146)
Cash flows from financing activities		
Interest paid	(138,245)	(122,105)
Net cash used in financing activities	(138,245)	(122,105)
Net increase/(decrease) in cash and cash equivalents	1,393,433	(1,537,300)
Cash and cash equivalents at beginning of year	(4,084,647)	(2,547,347)
Cash and cash equivalents at the end of year	(2,691,214)	(4,084,647)
Cash and cash equivalents at the end of year comprise:		
Bank overdrafts	(2,691,214)	(4,084,647)
	(2,691,214)	(4,084,647)

DS


NKT PHOTONICS LTD

The notes on pages 13 to 25 form part of these financial statements.



DS
JF

NKT PHOTONICS LTD

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

1. General information

NKT Photonics Limited is a private company limited by shares and incorporated in England and Wales under the Companies Act. The address of the registered office is given on the contents page.

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 the Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland, and with the Companies Act 2006.

The following principal accounting policies have been applied:

2.2 Going concern

The directors have considered the Company's financial position taking into account reasonably possible changes in trading performance. The company is dependent on the ongoing financial support of its parent company, NKT Photonics A/S. The directors have therefore received confirmation from NKT Photonics A/S that the Company will continue to provide sufficient funding for the foreseeable future, and for at least the period of twelve months following the date of approval of the financial statements to enable the company to meet its obligations to third parties as they fall due.

After considering the above factors, the directors have a reasonable expectation that the Company has sufficient access to adequate resource to continue in operational existence for the foreseeable future, and for at least the period of twelve months following the date of approval of the financial statements. The directors therefore consider it appropriate to adopt the going concern principle in preparing the financial statements.

2.3 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.

DS


NKT PHOTONICS 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:

Sale of goods

Revenue 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 revenue 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

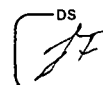
Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- 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 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.

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.



NKT PHOTONICS LTD

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

2. Accounting policies (continued)

2.6 Research and development

Expenditure on pure and applied research is charged to the Statement of Comprehensive Income in the year in which it is incurred.

Development costs are also charged to the Statement of Comprehensive Income in the year of expenditure, unless individual projects satisfy all of the following criteria:

- the project is clearly defined and related expenditure is separately identifiable;
- the project is technically feasible and commercially viable;
- current and future costs are expected to be exceeded by future sales; and
- adequate resources exist for the project to be completed.

In such circumstances, the costs are carried forward and amortised over a period not exceeding four years commencing in the year the company starts to benefit from the expenditure.

Research and development tax credits are included within other operating income within the Statement of Comprehensive Income.

2.7 Interest income

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

2.8 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

2.9 Pensions

Defined contribution pension plan

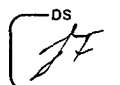
The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

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

2.10 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.



NKT PHOTONICS LTD

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

2. Accounting policies (continued)

2.11 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.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

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.

2.12 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.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

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:

Leasehold property	-	Over the length of the lease
Plant and machinery	-	25%
Fixtures, fittings and equipment	-	33%

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.

2.13 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 weighted average basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet 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.

NKT PHOTONICS LTD

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

2. Accounting policies (continued)

2.14 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.

2.15 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.

2.16 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 ordinary shares.

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.

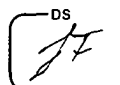
2.17 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

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

Judgments in applying accounting policies and key sources of estimation uncertainty Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although these estimates are management's best knowledge of the amount, events or actions, actual results ultimately may differ from those estimates. The directors have made the following critical estimates and judgements deemed to be applicable to the financial statements:

- Consideration has been given by the directors to the level of provision against stock. In determining the provision required the directors have reviewed marketability, obsolescence and development in expected sales price.
- Consideration has been given by the directors to the capitalisation of intangible assets. Clearly defined and identifiable development projects for which the technical feasibility, adequacy of resources and a potential future market can be demonstrated, and where it is intended to manufacture, market or utilise the project, are recognized as intangible assets provided the cost can be reliably determined, and provided there is also adequate certainty that the future earnings or net selling prices can cover the carrying amount as well as the development costs necessary to finalise the project. Other development costs are expensed in the income statement as incurred.



NKT PHOTONICS LTD

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

4. Turnover

An analysis of turnover by class of business is as follows:

	2021 £	2020 £
External Sales	21,146	34,987
Intercompany Sales	2,083,283	2,554,621
	<u>2,104,429</u>	<u>2,589,608</u>

Analysis of turnover by country of destination:

	2021 £	2020 £
Germany	2,104,429	2,589,608
	<u>2,104,429</u>	<u>2,589,608</u>

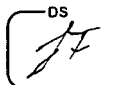
5. Other operating income

	2021 £	2020 £
Other operating income	4,907,741	4,777,022
Profit on disposal of tangible assets	83,211	-
	<u>4,990,952</u>	<u>4,777,022</u>

6. Auditor's remuneration

During the year, the Company obtained the following services from the Company's auditor:

	2021 £	2020 £
Fees payable to the Company's auditor for the audit of the Company's financial statements	26,000	36,000
Tax services and tagging	2,950	-
R&D claim	5,000	-
Preparation of accounts	2,500	-
VAT advisory	2,500	-
	<u>39,450</u>	<u>36,000</u>



NKT PHOTONICS LTD

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

7. Employees

Staff costs were as follows:

	2021 £	2020 £
Wages and salaries	2,339,596	2,195,958
Social security costs	303,782	419,840
Cost of defined contribution scheme	113,128	148,547
	<u>2,756,506</u>	<u>2,764,345</u>

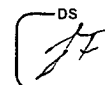
The average monthly number of employees, including directors, during the year was 52 (2020 - 53).

8. Interest receivable

	2021 £	2020 £
Other interest receivable	30	63
	<u>30</u>	<u>63</u>

9. Interest payable and similar expenses

	2021 £	2020 £
Other interest payable	138,245	122,105
	<u>138,245</u>	<u>122,105</u>

DS


NKT PHOTONICS LTD

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


10. Taxation

	2021 £	2020 £
Corporation tax		
Current tax on profits for the year	(84,625)	-
	(84,625)	-
	(84,625)	-
Total current tax	(84,625)	-
Deferred tax		
Total deferred tax	-	-
Taxation on (loss)/profit on ordinary activities	(84,625)	-

Factors affecting tax charge for the year

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

	2021 £	2020 £
Profit on ordinary activities before tax	269,094	986,381
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	51,128	187,412
Effects of:		
Fixed asset differences	729	17,140
Expenses not deductible for tax purposes	724	1,948
Adjustments to tax charge in respect of prior periods	-	10,130
Adjustment for changes in tax rate	81,229	(9,778)
Adjustment in research and development tax credit leading to an increase (decrease) in the tax charge	(84,625)	-
Movement in deferred tax not recognised	(133,810)	(206,852)
Total tax charge for the year	(84,625)	-

DS


NKT PHOTONICS LTD

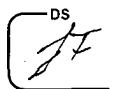
**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

11. Dividends

	2021 £	2020 £
Ordinary A shares		
Dividends	-	2,739,420
	-	2,739,420
	-	2,739,420

12. Intangible assets

	Development expenditure £
Cost	
At 1 January 2021	3,342,798
Additions - internal	610,865
Disposals	(45,358)
At 31 December 2021	3,908,305
Amortisation	
At 1 January 2021	278,509
Charge for the year on owned assets	151,167
On disposals	(45,358)
At 31 December 2021	384,318
Net book value	
At 31 December 2021	3,523,987
At 31 December 2020	3,064,289



NKT PHOTONICS LTD

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

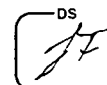
13. Tangible fixed assets

	Freehold property £	Plant and machinery £	Fixtures and fittings £	Total £
Cost or valuation				
At 1 January 2021	926,700	1,904,203	1,071,880	3,902,783
Additions	25,029	42,460	249,485	316,974
Disposals	-	(72,546)	(43,407)	(115,953)
At 31 December 2021	<u>951,729</u>	<u>1,874,117</u>	<u>1,277,958</u>	<u>4,103,804</u>
Depreciation				
At 1 January 2021	246,162	1,524,355	457,099	2,227,616
Charge for the year on owned assets	83,976	229,210	263,665	576,851
Disposals	-	(70,498)	(15,968)	(86,466)
At 31 December 2021	<u>330,138</u>	<u>1,683,067</u>	<u>704,796</u>	<u>2,718,001</u>
Net book value				
At 31 December 2021	<u>621,591</u>	<u>191,050</u>	<u>573,162</u>	<u>1,385,803</u>
At 31 December 2020	<u>680,538</u>	<u>379,848</u>	<u>614,781</u>	<u>1,675,167</u>

14. Stocks

	2021 £	2020 £
Raw materials and consumables	1,954,145	1,524,949
Work in progress	344,920	243,762
Finished goods and goods for resale	102,791	10,998
	<u>2,401,856</u>	<u>1,779,709</u>

There is no material difference between the replacement cost of stocks and the amounts stated above.



NKT PHOTONICS LTD

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

15. Debtors

	2021 £	2020 £
Trade debtors	8,520	5,083
Amounts owed by group undertakings	3,513,894	7,291,509
VAT recoverable	170,008	167,798
Prepayments and accrued income	72,495	67,462
R&D tax credit receivable	291,382	206,557
	<u>4,056,299</u>	<u>7,738,409</u>

16. Creditors: Amounts falling due within one year

	2021 £	2020 £
Bank overdrafts	2,691,214	4,084,647
Trade creditors	575,089	638,043
Amounts owed to group undertakings	16,433	1,177,717
Other taxation and social security	73,073	66,494
Other creditors	2,469	36,726
Accruals and deferred income	350,642	948,641
	<u>3,708,920</u>	<u>6,952,268</u>

NKT PHOTONICS LTD

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

17. Financial instruments

	2021 £	2020 £
Financial assets		
Financial assets held at amortised cost	<u>3,686,770</u>	<u>7,464,390</u>
Financial liabilities		
Financial liabilities measured at fair value through profit or loss	(2,691,214)	(4,084,647)
Financial liabilities held at amortised cost	<u>(883,417)</u>	<u>(2,801,127)</u>
	<u>(3,574,631)</u>	<u>(6,885,774)</u>

Financial assets held at amortised cost comprise trade, intercompany and other debtors.

Financial liabilities measured at fair value through profit or loss comprise bank overdrafts.

Financial liabilities held at amortised cost comprise trade, intercompany and other creditors, accruals and deferred income.

18. Share capital

	2021 £	2020 £
Allotted, called up and fully paid		
6,800 (2020 - 6,800) Ordinary A shares shares of £0.05 each	340	340
12,300 (2020 - 12,300) Ordinary B shares shares of £0.05 each	615	615
	<u>955</u>	<u>955</u>

The Ordinary A shareholders exercise all voting rights and powers of control. The Ordinary B shareholders have no voting rights and are only entitled to dividends at the discretion of the Ordinary A shareholders.

19. Reserves**Share premium account**

Share premium represents the amount above the nominal value received for shares issued, less transaction costs.

Profit and loss account

The profit and loss account represents accumulated comprehensive income for the year and prior periods, less any dividends paid.

NKT PHOTONICS LTD

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

20. 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 £113,122 (2020 - £112,245). Contributions totalling £nil (2020 - £19,208) were payable to the fund at the balance sheet date and are included in creditors.

21. Commitments under operating leases

At 31 December 2021 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2021 £	2020 £
Not later than 1 year	197,155	191,135
Later than 1 year and not later than 5 years	296,299	419,377
Later than 5 years	-	99,536
	<u>493,454</u>	<u>710,048</u>

22. Related party transactions

The Company has taken advantage of the exemption in FRS 102 from disclosing transactions with other members of the Group, on the basis that the Company is a wholly owned subsidiary and that the accounts of the ultimate parent company NKT Holdings A/S are publicly available. The financial statements of NKT Holdings A/S are available from their registered office, the address for which is given in Note 23.

23. Controlling party

The Company is exempt from producing consolidated accounts under s.401 of Companies Act 2006, as it is part of a larger non-UK group. The largest and smallest group in which the results of the Company are consolidated is that headed by NKT Holdings A/S, incorporated in Denmark. The address of NKT Holdings A/S's registered office is Vibeholms Allé 20, DK-2605 Brøndby, Denmark.