

Afon Technology Ltd

Financial Statements

Year Ended

31 December 2020

Company Number 09700231

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Afon Technology Ltd
Registered number: 09700231

Statement of Financial Position
As at 31 December 2020

	Note	2020 £	2020 £	2019 £	2019 £
Fixed assets					
Intangible assets	5		92,683		77,193
Tangible assets	6		33,275		26,781
			125,958		103,974
Current assets					
Stocks	7	2		2	
Debtors: amounts falling due within one year	8	38,306		156,113	
Cash at bank and in hand		427,540		214,003	
		465,848		370,118	
Creditors: amounts falling due within one year	9	(63,339)		(148,713)	
Net current assets			402,509		221,405
Net assets			528,467		325,379
Capital and reserves					
Called up share capital	10		4,470		3,300
Share premium account	11		3,134,225		1,298,702
Profit and loss account	11		(2,610,228)		(976,623)
Total equity			528,467		325,379

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 on



27SEP2021

M S Chaudhry
Director

The notes on pages 3 to 12 form part of these financial statements.

Afon Technology Ltd

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	3,300	1,298,702	(976,623)	325,379
Comprehensive loss for the year				
Loss for the year	-	-	(1,633,605)	(1,633,605)
Total comprehensive loss for the year	-	-	(1,633,605)	(1,633,605)
Contributions by and distributions to owners				
Shares issued during the year	1,170	1,835,523	-	1,836,693
Total transactions with owners	1,170	1,835,523	-	1,836,693
At 31 December 2020	4,470	3,134,225	(2,610,228)	528,467

Statement of Changes in Equity For the Period Ended 31 December 2019

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 April 2019	1	-	-	1
Comprehensive loss for the period				
Loss for the period	-	-	(976,623)	(976,623)
Total comprehensive loss for the period	-	-	(976,623)	(976,623)
Contributions by and distributions to owners				
Shares issued during the period	3,299	1,298,702	-	1,302,001
Total transactions with owners	3,299	1,298,702	-	1,302,001
At 31 December 2019	3,300	1,298,702	(976,623)	325,379

The notes on pages 3 to 12 form part of these financial statements.

Afon Technology Ltd

Notes to the Financial Statements For the Year Ended 31 December 2020

1. General information

Afon Technology Ltd is a private company limited by shares and incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the company information page and the nature of the company's operations and its principal activities are set out in the directors' report.

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 (FRS 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 Section 1A of 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 presentational and functional currency of these financial statements is GBP. Values are rounded to the nearest pound.

The following principal accounting policies have been applied:

2.2 Going concern

During 2020 Afon Technology continued work on its non invasive blood glucose sensor, and work was able to go on throughout the Covid-19 lockdown measures.

NHS trials in the UK could not take place due to the pressures on the NHS, however trials were carried out at Profil (a world leading clinical research organisation for diabetes) in Germany during July 2020. The Welsh Government Experimental Development grant of £200,000 was claimed in full after a 'variation to costs' to reflect this.

No staff were made redundant or furloughed. The engineering project to miniaturise the technology to create a wearable device, and the associated software work, was carried out by employees and contractors working from home.

The key risks to solvency are a failure to secure new funding, poor clinical trial results and technical/engineering difficulties with product development.

Potential technical/engineering difficulties have been mitigated by way of recruiting high calibre experienced engineers. The Company is readying itself for regulatory approval by investing time and money into a Quality Management System and audit by BSI.

We have forecasted that we need to raise additional investment in the next few months in order for the company to continue to operate as a going concern. The future cash needs of the business have been identified by the director's based on their previous experiences of medical product development. The Company has been operating on a frugal basis to preserve and manage its finances.

A new investor has pledged £4 million, to be released in tranches as per pre-agreed milestones, which will take the company to CE mark and pilot manufacturing. The agreement of this investment is expected imminently, though the success of this is not guaranteed.

Afon Technology Ltd

Notes to the Financial Statements For the Year Ended 31 December 2020

2. Accounting policies (continued)

2.2 Going concern (continued)

These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern and therefore its ability to realise its assets and discharge its liabilities in the normal course of business.

The directors have concluded that they have a high degree of confidence that the Company has the ability to manage operations and to attract further investment to continue in operational existence for the foreseeable future. The directors are satisfied that as a result of the strength of the Company's technology and management, there continues to be substantial long-term strength in interest from future investors.

For these reasons, including the Company's history of raising significant amounts of capital, the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements. The financial statements do not reflect the adjustments that would be required if the Company ceased to operate as a going concern.

2.3 Grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the statement of comprehensive income in the same period as the related expenditure.

2.4 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.

Amortisation is provided on the following bases:

Trademarks	-	10 % straight line
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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.

2.5 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.

Afon Technology Ltd

Notes to the Financial Statements For the Year Ended 31 December 2020

2. Accounting policies (continued)

2.5 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives.

Depreciation is provided on the following basis:

Fixtures and fittings	- 15% - 33% straight line
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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 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 statement of financial position 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 the statement of comprehensive income.

2.7 Debtors

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

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 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.

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 in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Afon Technology Ltd

Notes to the Financial Statements For the Year Ended 31 December 2020

2. Accounting policies (continued)

2.9 Financial instruments (continued)

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.

2.10 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities 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

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 profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income. All other foreign exchange gains and losses are presented in the statement of comprehensive income, within 'other operating income'.

Afon Technology Ltd

Notes to the Financial Statements For the Year Ended 31 December 2020

2. Accounting policies (continued)

2.12 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 statement of financial position. The assets of the plan are held separately from the company in independently administered funds.

2.13 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.

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

In preparing these financial statements, the directors have made the following judgements:

- Useful economic lives of assets

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- Recoverable value of fixed assets

Management make judgements and estimates to determine whether there are indicators of impairment of the company's tangible and intangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash generating unit, the viability and expected future performance of that unit.

4. Employees

The average monthly number of employees, including directors, during the year was 12 (period ended 31 December 2019 - 9)

Afon Technology Ltd

Notes to the Financial Statements For the Year Ended 31 December 2020

5. Intangible assets

	Trademarks £
Cost	
At 1 January 2020	84,784
Additions	24,285
At 31 December 2020	109,069
Amortisation	
At 1 January 2020	7,591
Charge for the year	8,795
At 31 December 2020	16,386
Net book value	
At 31 December 2020	92,683
At 31 December 2019	77,193

Afon Technology Ltd

Notes to the Financial Statements For the Year Ended 31 December 2020

6. Tangible fixed assets

	Fixtures and fittings £
Cost	
At 1 January 2020	35,554
Additions	25,943
At 31 December 2020	61,497
Depreciation	
At 1 January 2020	8,773
Charge for the year	19,449
At 31 December 2020	28,222
Net book value	
At 31 December 2020	33,275
At 31 December 2019	26,781

7. Stocks

	2020 £	2019 £
Raw materials and consumables	2	2
	2	2

8. Debtors: amounts falling due within one year

	2020 £	2019 £
Other debtors	20,436	9,730
Prepayments and accrued income	17,870	-
Grants receivable	-	146,383
	38,306	156,113

Afon Technology Ltd

Notes to the Financial Statements For the Year Ended 31 December 2020

9. Creditors: amounts falling due within one year

	2020 £	2019 £
Trade creditors	41,164	44,978
Other creditors	1,285	551
Accruals and deferred income	20,890	103,184
	<u>63,339</u>	<u>148,713</u>

10. Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
1,500 B ordinary shares of £1 each	1,500	1,500
500 C1 ordinary shares of £1 each	500	500
200 C2 ordinary shares of £0.001 each	-	-
100 C3 ordinary shares of £0.001 each	-	-
2,469,797 A ordinary shares of £0.001 each	2,470	1,300
	<u>4,470</u>	<u>3,300</u>

The following shares were issued during the year:

Between 5 March 2020 and 3 December 2020 1,090,795 ordinary £0.001 shares were issued at £1.50 per share.

Between 5 March 2020 and 3 December 2020 79,000 ordinary £0.001 shares were issued at £2.50 per share.

11. Reserves

The company's capital and reserves are as follows:

Called up share capital

Called up share capital represents the nominal value of the shares issued.

Share premium account

The share premium account includes the premium on issue of equity shares, net of any issue costs. The share premium of £3,134,225 was derived from the issue of A ordinary shares.

Profit and loss account

The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

Afon Technology Ltd

Notes to the Financial Statements For the Year Ended 31 December 2020

12. Pension commitments

The company operates a defined contribution 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 £6,406 (period ended 31 December 2019 - £3,545). Contributions totalling £1,285 (period ended 31 December 2019 - £551) were payable to the fund at the reporting date and are included in creditors.

13. Related party transactions

The directors did not receive any dividends during the year to December 2020 (period ended 31 December 2019 - £Nil).

The total remuneration paid to directors for services to the company was £267,500 (period ended 31 December 2019 - £200,734).

The company purchased services worth £130,000 (period ended 31 December 2019 - £50,000) from, and have a year end creditor balance of £20,000 (period ended 31 December 2019 - £10,000) with Citalytics. Citalytics is considered a related party as a director of Afon technologies is also a director of Citalytics.

The company purchased services worth £8,593 (period ended 31 December 2019 - £1,002) from, and have a year-end creditor balance of £nil (period ended 31 December 2019 - £nil) with BSI. BSI is considered a related party as a director of Afon technologies is also a Chairman of BSI.

14. Post balance sheet events

Covid-19 was recognised as a pandemic by the World Health Organisation on 11 March 2020 and as such has been treated as a non-adjusting post balance sheet event. Covid continued to affect the economy and working arrangements throughout 2020.

People with diabetes have been shown to be worse affected by Covid-19 than healthy people, so there will be more demand than ever for a device that can help people with diabetes to manage their condition.

Prior to lockdown and as a risk mitigation exercise, Afon Technology sourced all necessary PCB components by way of forward ordering. This meant that the PCBs required for the miniaturisation work could be built and testing on these boards was able to continue throughout the lockdown periods as employees and contractors could work on them at home. None of the Afon Technology staff were furloughed, all were able to work from home.

UK trials at a Welsh NHS facility were not able to take place but a trial at Profil in Germany went ahead in August 2020 on the existing sensor. Testing of model B1, a miniaturised device, will take place in 2021.

Afon Technology moved to a larger office and electronics laboratory in May 2021. As well as offering more space to accommodate the future growing demands of the business, it is also more cost effective.

With the threat of Covid receding, plans are underway to hold future testing in the UK again (at the Joint Clinical Research Facility in Swansea).

All health and safety advice has been followed to ensure safe working and therefore Afon technology is well placed even if there is a rise in Covid again.

After the year-end, the company issued additional shares to raise capital. Shares were issued at £3.50 with a nominal value of £0.001, available to existing shareholders up to a maximum of £500,000. This offer was fully subscribed, at the time of writing £446,824 has been received with the remainder expected imminently.

Afon Technology Ltd

Notes to the Financial Statements For the Year Ended 31 December 2020

15. Controlling party

The directors do not believe that there is any single controlling party.

16. Auditor's information

The auditor's report on the financial statements for the year ended 31 December 2020 was unqualified.

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

Material uncertainty relating to going concern

We draw attention to note 2.2 in the financial statements, which highlights that the directors have disclosed the need to raise additional funding over the next 12 months, the success of which is not guaranteed. These events or conditions 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 20 September 2021 by Antonio Antonius (senior statutory auditor) on behalf of BDO LLP.