

COMPANY REGISTRATION NUMBER: 09700231

**AFON TECHNOLOGY LTD**  
**FINANCIAL STATEMENTS**  
**31 DECEMBER 2021**



**AFON TECHNOLOGY LTD**  
**FINANCIAL STATEMENTS**  
**Year ended 31 December 2021**

<b>CONTENTS</b>	<b>PAGE</b>
Balance sheet	<b>1</b>
Notes to the financial statements	<b>2</b>

# AFON TECHNOLOGY LTD

## BALANCE SHEET

31 December 2021

	Note	2021 £	2020 (restated) £
<b>FIXED ASSETS</b>			
Intangible assets	6	114,153	92,683
Tangible assets	7	33,723	33,275
		<u>147,876</u>	<u>125,958</u>
<b>CURRENT ASSETS</b>			
Stocks		2	2
Debtors	8	299,784	38,306
Cash at bank and in hand		112,812	427,540
		<u>412,598</u>	<u>465,848</u>
<b>CREDITORS: amounts falling due within one year</b>	9	<u>(250,801)</u>	<u>(63,339)</u>
<b>NET CURRENT ASSETS</b>		<u>161,797</u>	<u>402,509</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>309,673</u>	<u>528,467</u>
<b>NET ASSETS</b>		<u>309,673</u>	<u>528,467</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital		4,677	4,457
Share premium account		3,802,365	3,109,240
Capital contribution reserve		39,398	24,998
Profit and loss account		(3,536,767)	(2,610,228)
<b>SHAREHOLDERS FUNDS</b>		<u>309,673</u>	<u>528,467</u>

These financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies' regime and in accordance with Section 1A of FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

In accordance with section 444 of the Companies Act 2006, the profit and loss account has not been delivered.

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.

These financial statements were approved by the board of directors and authorised for issue on ...28/11/2022..., and are signed on behalf of the board by:



**Dr M S Chaudhry**  
Director

Company registration number: 09700231

The notes on pages 2 to 10 form part of these financial statements.

# **AFON TECHNOLOGY LTD**

## **NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2021**

### **1. GENERAL INFORMATION**

The company is a private company limited by shares, registered in England & Wales. The address of the registered office is Unit 670 Castlegate Business Park, Caldicot, Monmouthshire, NP26 5AD.

### **2. STATEMENT OF COMPLIANCE**

These financial statements have been prepared in compliance with Section 1A of FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

### **3. ACCOUNTING POLICIES**

#### **Basis of preparation**

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets and liabilities and investment properties measured at fair value through profit or loss.

The financial statements are prepared in sterling, which is the functional currency of the entity.

# **AFON TECHNOLOGY LTD**

## **NOTES TO THE FINANCIAL STATEMENTS** *(continued)*

### **Year ended 31 December 2021**

#### **3. ACCOUNTING POLICIES** *(continued)*

##### **Going concern**

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

The engineering project to miniaturise the technology to create a wearable device, and the associated software work has led to a first pass of a wearable non-invasive blood glucose monitoring device. Afon have been successful in obtaining all the necessary regulatory approvals for undertaking a clinical trial at the Joint Clinical Research Facility (JCRF), Swansea, to evaluate the wearable device. The trial started in July 2022 and is ongoing.

Work has already started on further miniaturisation of the technology in order to realise the commercial wearable device for CE/CA mark. Activities are ongoing to identify contract manufacturers that can support manufacture, sales, distribution and returns.

During 2021 and in the first eight months of 2022, £1,680,031 was raised from existing investors. A new investor has since pledged £1m. The first £200,000 tranche of the pledge was received in the first six months of 2022 with a further £400,000 received in October 2022. New investors are expected to provide an additional £3m over the next 12-months which will take the company to CE/CA mark and pilot manufacturing.

The company has been successful in obtaining BSI ISO 1345:2016 accreditation.

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 and through constant development of the technology, which has now been considerably de-risked.

People with diabetes have proved to be at greater risk due to Covid, and there is global demand for a device which can improve the health of people with diabetes through better management of the condition. Although Covid has had a negative effect on the economy, which could make it harder to attract the required investment, the take-up of self-monitoring has increased as a means of minimising exposure to Covid, as demonstrated by the increase in continuous glucose monitor (CGM) sales during the pandemic.

The scope of the project remains to be of considerable interest to potential new investors, and the board is confident that new investor will provide the required funding. 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.

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

# AFON TECHNOLOGY LTD

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### Year ended 31 December 2021

#### 3. ACCOUNTING POLICIES *(continued)*

statements. The financial statements do not reflect the adjustments that would be required if the company ceased to operate as a going concern.

##### **Taxation**

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

##### **Foreign currencies**

Foreign currency transactions are initially recorded in the functional currency, by applying the spot exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date, with any gains or losses being taken to the profit and loss account.

##### **Operating leases**

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

##### **Intangible assets**

Intangible assets are initially recorded at cost, and are subsequently stated at cost less any accumulated amortisation and impairment losses. Any intangible assets carried at revalued amounts, are recorded at the fair value at the date of revaluation, as determined by reference to an active market, less any subsequent accumulated amortisation and subsequent accumulated impairment losses.

Intangible assets acquired as part of a business combination are only recognised separately from goodwill when they arise from contractual or other legal rights, are separable, the expected future economic benefits are probable and the cost or value can be measured reliably.

##### **Amortisation**

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful life of that asset as follows:

Patents, trademarks and licences - 4% - 10% straight line

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

# **AFON TECHNOLOGY LTD**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **Year ended 31 December 2021**

#### **3. ACCOUNTING POLICIES (continued)**

##### **Tangible assets**

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation, is recognised in other comprehensive income and accumulated in equity, except to the extent it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease in the carrying amount of an asset as a result of revaluation, is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity in respect of that asset. Where a revaluation decrease exceeds the accumulated revaluation gains accumulated in equity in respect of that asset, the excess shall be recognised in profit or loss.

##### **Depreciation**

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Short leasehold property	-	Over the term of the lease
Fixtures and fittings	-	15% - 33% straight line

##### **Impairment of fixed assets**

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

For impairment testing of goodwill, the goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the company are assigned to those units.

##### **Stocks**

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

##### **Government grants**

Government grants are recognised at the fair value of the asset received or receivable. Grants are not recognised until there is reasonable assurance that the company will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised using the accrual model.

# AFON TECHNOLOGY LTD

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### Year ended 31 December 2021

#### 3. ACCOUNTING POLICIES *(continued)*

##### **Government grants *(continued)***

Under the accrual model, government grants relating to revenue are recognised on a systematic basis over the periods in which the company recognises the related costs for which the grant is intended to compensate. Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs are recognised in income in the period in which it becomes receivable.

Grants relating to assets are recognised in income on a systematic basis over the expected useful life of the asset. Where part of a grant relating to an asset is deferred, it is recognised as deferred income and not deducted from the carrying amount of the asset.

##### **Financial instruments**

A financial asset or a financial liability is recognised only when the company becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Where investments in non-convertible preference shares and non-puttable ordinary shares or preference shares are publicly traded or their fair value can otherwise be measured reliably, the investment is subsequently measured at fair value with changes in fair value recognised in profit or loss. All other such investments are subsequently measured at cost less impairment.

Other financial instruments, including derivatives, are initially recognised at fair value, unless payment for an asset is deferred beyond normal business terms or financed at a rate of interest that is not a market rate, in which case the asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Other financial instruments are subsequently measured at fair value, with any changes recognised in profit or loss, with the exception of hedging instruments in a designated hedging relationship.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

##### **Defined contribution plans**

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

# AFON TECHNOLOGY LTD

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### Year ended 31 December 2021

#### 3. ACCOUNTING POLICIES *(continued)*

##### **Defined contribution plans *(continued)***

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

#### 4. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

##### ***Key sources of estimation uncertainty***

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

- Useful economic lives of assets

Tangible fixed assets are depreciated over their useful economic 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 the 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.

#### 5. EMPLOYEE NUMBERS

The average number of persons employed by the company during the year amounted to 9 (2020: 12).

# AFON TECHNOLOGY LTD

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

Year ended 31 December 2021

### 6. INTANGIBLE ASSETS

	<b>Patents, trademarks and licences £</b>
<b>Cost</b>	
At 1 January 2021 (as restated)	109,069
Additions	<u>32,252</u>
<b>At 31 December 2021</b>	<u>141,321</u>
<b>Amortisation</b>	
At 1 January 2021	16,386
Charge for the year	<u>10,782</u>
<b>At 31 December 2021</b>	<u>27,168</u>
<b>Carrying amount</b>	
<b>At 31 December 2021</b>	<u>114,153</u>
At 31 December 2020	<u>92,683</u>

### 7. TANGIBLE ASSETS

	<b>Short leasehold property £</b>	<b>Fixtures and fittings £</b>	<b>Total £</b>
<b>Cost</b>			
At 1 January 2021 (as restated)	–	61,497	61,497
Additions	<u>10,056</u>	<u>18,348</u>	<u>28,404</u>
<b>At 31 December 2021</b>	<u>10,056</u>	<u>79,845</u>	<u>89,901</u>
<b>Depreciation</b>			
At 1 January 2021	–	28,222	28,222
Charge for the year	<u>1,341</u>	<u>26,615</u>	<u>27,956</u>
<b>At 31 December 2021</b>	<u>1,341</u>	<u>54,837</u>	<u>56,178</u>
<b>Carrying amount</b>			
<b>At 31 December 2021</b>	<u>8,715</u>	<u>25,008</u>	<u>33,723</u>
At 31 December 2020	<u>–</u>	<u>33,275</u>	<u>33,275</u>

### 8. DEBTORS

	<b>2021 £</b>	<b>2020 (restated) £</b>
Other debtors	<u>299,784</u>	<u>38,306</u>

# AFON TECHNOLOGY LTD

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

### Year ended 31 December 2021

#### 9. CREDITORS: amounts falling due within one year

	2021	2020 <i>(restated)</i>
	£	£
Trade creditors	153,691	41,164
Social security and other taxes	10,966	–
Other creditors	86,144	22,175
	<u>250,801</u>	<u>63,339</u>

#### 10. PRIOR PERIOD ERRORS

The prior year comparatives have been restated in respect of share capital funds received in advance of the share issue. Share capital and share premium has reduced by £13 and £24,985 respectively, with an increase of £24,998 in the capital contribution reserve.

#### 11. OPERATING LEASES

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2021	2020 <i>(restated)</i>
	£	£
Not later than 1 year	38,364	–
Later than 1 year and not later than 5 years	64,470	–
	<u>102,834</u>	<u>–</u>

#### 12. EVENTS AFTER THE END OF THE REPORTING PERIOD

After the year-end the company issued additional shares to raise capital. Shares were issued at £1 and £4 for ordinary A and E shares respectively, with a nominal value of £0.001. The total raised from the issue was £972,289, with £39,398 received and recognised as a capital contribution pre year end.

#### 13. SUMMARY AUDIT OPINION

The auditor's report for the year ended 31 December 2021 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 3 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 30 November 2022 by Jonathan Harray (senior statutory auditor), for and on behalf of Kilsby & Williams LLP.

# **AFON TECHNOLOGY LTD**

## **NOTES TO THE FINANCIAL STATEMENTS** *(continued)*

### **Year ended 31 December 2021**

#### **14. DIRECTORS' ADVANCES, CREDITS AND GUARANTEES**

Included within other creditors is a balance of £85,000 (2020 - £nil) due to a director. This loan is interest free and repayable on demand.

#### **15. RELATED PARTY TRANSACTIONS**

The company purchased services worth £120,000 (2020 - £130,000) from, and have a year end creditor balance of £20,000 (2020 - £20,000) with Citalytics. Citalytics is considered a related party as a director of Afon Technology Limited is also a director of Citalytics.

The company purchased services worth £33,276 (2020 - £8,593) from, and have a year-end creditor balance of £19,344(2020 - £nil) with BSI. BSI is considered a related party as a director of Afon Technology Limited is also a Chairman of BSI.