

Registration number: 04715569

DFx Technology Limited  
Annual Report and Financial Statements  
for the Year Ended 31 May 2016

PREPARED IN ACCORDANCE WITH EXEMPTIONS UNDER S444 COMPANIES ACT 2006

Critchleys LLP  
Registered Auditors  
Greyfriars Court  
Paradise Square  
Oxford  
OX1 1BE



# **DFx Technology Limited**

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# DFx Technology Limited

**(Registration number: 04715569)**

## **Balance Sheet as at 31 May 2016**

	Note	2016 £	2015 £
<b>Fixed assets</b>			
Intangible assets	6	1,039,716	938,317
Tangible assets	7	158,648	89,490
		<u>1,198,364</u>	<u>1,027,807</u>
<b>Current assets</b>			
Stocks		807,127	678,493
Debtors	8	1,735,360	2,123,443
Cash at bank and in hand		1,321	27,266
		<u>2,543,808</u>	<u>2,829,202</u>
<b>Creditors: Amounts falling due within one year</b>	9	<u>(2,406,948)</u>	<u>(2,183,365)</u>
<b>Net current assets</b>		<u>136,860</u>	<u>645,837</u>
<b>Total assets less current liabilities</b>		1,335,224	1,673,644
<b>Creditors: Amounts falling due after more than one year</b>	9	(395,726)	(611,280)
<b>Provisions for liabilities</b>		<u>(31,729)</u>	<u>(17,898)</u>
<b>Net assets</b>		<u>907,769</u>	<u>1,044,466</u>
<b>Capital and reserves</b>			
Called up share capital		196	196
Share premium reserve		841,727	841,708
Profit and loss account		<u>65,846</u>	<u>202,562</u>
<b>Total equity</b>		<u>907,769</u>	<u>1,044,466</u>

The company's accounts have been delivered in accordance with small companies regime (s444(5)).

Approved and authorised by the Board on 29 September 2016 and signed on its behalf by:



Dr Alan Wyn-Davies

Director

# **DFx Technology Limited**

## **Notes to the Financial Statements for the Year Ended 31 May 2016**

### **1 Accounting policies**

#### **Summary of significant accounting policies and key accounting estimates**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### **Statement of compliance**

The financial statements have been prepared under the historical cost convention in accordance with FRS 102 Section 1A - The Financial Reporting Standard applicable in the UK and Republic of Ireland and the Companies Act 2006.

#### **Basis of preparation**

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

#### **Going concern**

In determining the appropriate basis of presentation of the financial statements, the directors are required to consider whether the company can continue in operational existence for the foreseeable future, this being a period of not less than twelve months from the date of approval of the financial statements. After reviewing the company's financial projections and current trading, and in view of additional loans of £351,000 received in June 2016 and confirmation of further support if required, the directors have a reasonable expectation that the company can meet its financial obligations as they fall due. Accordingly the directors have adopted the going concern basis of presentation of the financial statements.

#### **Revenue recognition**

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the Company's activities. Turnover is shown net of sales/value added tax, returns, rebates and discounts and after eliminating sales within the company.

The Company recognises revenue when:

The amount of revenue can be reliably measured;

it is probable that future economic benefits will flow to the entity;

and specific criteria have been met for each of the Company's activities.

## **DFx Technology Limited**

### **Notes to the Financial Statements for the Year Ended 31 May 2016**

#### **Foreign currency transactions and balances**

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

#### **Tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

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

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the Company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

#### **Tangible assets**

Tangible assets is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

#### **Depreciation**

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

<b>Asset class</b>	<b>Depreciation method and rate</b>
Leasehold property	Over the period of the lease
Plant and machinery	20%-40% straight line
Research and development equipment	40% straight line
Office equipment	20% straight line
Computer equipment	40% straight line
Tooling	40% straight line
Motor vehicle	25% straight line

## DFx Technology Limited

### Notes to the Financial Statements for the Year Ended 31 May 2016

#### Intangible assets

Research and development expenditure is capitalised within intangible assets where it can be separately identified against a specific product or project anticipated to produce future benefits, and is

amortised on a straight line basis over the anticipated life of the benefits arising from the completed product or project.

Deferred research and development costs are reviewed annually, and where future benefits are deemed to have ceased or to be in doubt, the balance of any related research and development is written off to the profit and loss account.

Each project life is assessed individually.

#### Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

Asset class	Amortisation method and rate
Development costs	Generally 10 years straight line, but reassessed annually

#### Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the first-in, first-out (FIFO) method.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, stocks are assessed for impairment. If stocks are 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.

#### Borrowings

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Profit and Loss Account over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

## **DFx Technology Limited**

### **Notes to the Financial Statements for the Year Ended 31 May 2016**

#### **Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are recognised at the lower of their fair value at inception of the lease and the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the Balance Sheet as a finance lease obligation.

Lease payments are apportioned between finance costs in the Profit and Loss Account and reduction of the lease obligation so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

#### **Defined contribution pension obligation**

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the Company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

## DFx Technology Limited

### Notes to the Financial Statements for the Year Ended 31 May 2016

#### 2 Intangible assets

	Development costs £	Total £
<b>Cost or valuation</b>		
At 1 June 2015	1,258,892	1,258,892
Additions acquired separately	318,329	318,329
At 31 May 2016	1,577,221	1,577,221
<b>Amortisation</b>		
At 1 June 2015	320,575	320,575
Amortisation charge	144,126	144,126
Impairment	72,804	72,804
At 31 May 2016	537,505	537,505
<b>Carrying amount</b>		
At 31 May 2016	1,039,716	1,039,716
At 31 May 2015	938,317	938,317

#### 3 Tangible assets

	Land and buildings £	Motor vehicles £	Other property, plant and equipment £	Total £
<b>Cost or valuation</b>				
At 1 June 2015	57,354	-	519,741	577,095
Additions	28,215	13,275	69,969	111,459
At 31 May 2016	85,569	13,275	589,710	688,554
<b>Depreciation</b>				
At 1 June 2015	23,043	-	464,562	487,605
Charge for the year	8,336	2,766	31,199	42,301
At 31 May 2016	31,379	2,766	495,761	529,906
<b>Carrying amount</b>				
At 31 May 2016	54,190	10,509	93,949	158,648
At 31 May 2015	34,311	-	55,179	89,490



# DFx Technology Limited

## Notes to the Financial Statements for the Year Ended 31 May 2016

### 4 Debtors

	Note	2016 £	2015 £
Trade debtors		881,438	1,256,973
Other debtors		637,840	678,552
Prepayments		69,242	88,615
R&D tax claim due		146,840	99,303
		<u>1,735,360</u>	<u>2,123,443</u>
Less non-current portion		<u>(593,157)</u>	<u>(559,761)</u>
Total current trade and other debtors		<u>1,142,203</u>	<u>1,563,682</u>

### Details of non-current trade and other debtors

£474,527 (2016 -£474,527) of directors' loan accounts is classified as non current.

£118,630 (2016 -£85,234) of tax recoverable is classified as non current.

### 5 Creditors

	Note	2016 £	2015 £
<b>Due within one year</b>			
Loans and borrowings (secured)		547,865	145,341
Trade creditors		675,097	570,692
Social security and other taxes		206,240	131,868
Outstanding defined contribution pension costs		3,972	4,100
Other payables		183,292	157,814
Income tax liability		12,210	85,235
Invoice discounting facility (secured)		<u>778,272</u>	<u>1,088,315</u>
		<u>2,406,948</u>	<u>2,183,365</u>
<b>Due after one year</b>			
Loans and borrowings (secured)		<u>395,726</u>	<u>611,280</u>

The bank loans and overdraft are secured by a debenture dated 22 May 2013 over all of the company's assets and undertakings, and supported by personal guarantees from Dr A Wyn-Davies and Mrs E Wyn-Davies.

## DFx Technology Limited

### Notes to the Financial Statements for the Year Ended 31 May 2016

The invoice discounting facility is secured by way of fixed charge over present and future contracts, insurance policies and contracts of trade, and a floating charge over the property of the company.

The hire purchase and finance lease liabilities are secured on the assets purchased under the agreements.

#### 6 Obligations under leases and hire purchase contracts

##### Finance leases

The total of future minimum lease payments is as follows:

	2016 £
Not later than one year	14,263
Later than one year and not later than five years	36,325
	<u>50,588</u>

##### Operating leases

The total of future minimum lease payments is as follows:

	2016 £	2015 £
Not later than one year	157,573	115,869
Later than one year and not later than five years	498,229	545,302
Later than five years	294,000	404,500
	<u>949,802</u>	<u>1,065,671</u>

#### 7 Commitments

##### Capital commitments

The total amount contracted for but not provided in the financial statements was £Nil (2015 - £Nil).

#### 8 Related party transactions

##### Key management personnel

Expenditure and payables

##### Summary of transactions with key management

Mr Kim Paxton (director) charged consultancy fees to the company totalling £18,750 (2015: £4,500).

GKF Wealth Management (whose directors hold investor shares in the company) charged fees of £38,400 (2015: £35,875).

## DFx Technology Limited

### Notes to the Financial Statements for the Year Ended 31 May 2016

#### Transactions with directors

	At 1 June 2015 £	Advances to directors £	Repayments by director £	Other payments made to company by director £	At 31 May 2016 £
<b>2016</b>					
<b>Dr Alan Wyn-Davies</b>					
Advance	237,264	-	-	-	237,264
<b>Mrs Elizabeth Wyn-Davies</b>					
Advance	237,263	-	-	-	237,263

	At 1 June 2014 £	Advances to directors £	Repayments by director £	Other payments made to company by director £	At 31 May 2015 £
<b>2015</b>					
<b>Dr Alan Wyn-Davies</b>					
Advance	136,516	106,043	(5,295)	-	237,264
<b>Mrs Elizabeth Wyn-Davies</b>					
Advance	136,516	106,043	(5,296)	-	237,263

#### 9 Non adjusting events after the financial period

In June 2016 the company received additional loans of £351,000.

Redundancies were actioned in July and August 2016 as part of measures to reduce the company's overheads and efficiency in the future.

#### 10 Audit Report

The auditors' report for the year was unqualified, signed by Andrew Rodzynski (senior statutory auditor) for and on behalf of Critchleys LLP, statutory auditor.