

Registration number: 04715569

DFx Technology Limited

Financial Statements

for the Year Ended 31 May 2017

Prepared in accordance with exemptions under S444 Companies Act 2006

Critchleys Audit LLP
Registered Auditors
Beaver House
23-28 Hythe Bridge Street
Oxford
OX1 2EP



DFx Technology Limited

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DFx Technology Limited

(Registration number: 04715569)

Balance Sheet as at 31 May 2017

	Note	2017 £	2016 £
Fixed assets			
Intangible assets	4	1,218,246	1,039,716
Tangible assets	5	<u>133,859</u>	<u>158,648</u>
		<u>1,352,105</u>	<u>1,198,364</u>
Current assets			
Stocks	6	738,641	807,127
Debtors	7	1,356,076	1,735,360
Cash at bank and in hand		<u>225,256</u>	<u>1,321</u>
		2,319,973	2,543,808
Creditors: Amounts falling due within one year	8	<u>(1,246,052)</u>	<u>(2,406,948)</u>
Net current assets		<u>1,073,921</u>	<u>136,860</u>
Total assets less current liabilities		2,426,026	1,335,224
Creditors: Amounts falling due after more than one year	8	(924,200)	(395,726)
Provisions for liabilities		<u>(26,772)</u>	<u>(31,729)</u>
Net assets		<u>1,475,054</u>	<u>907,769</u>
Capital and reserves			
Called up share capital		447	196
Share premium reserve		1,719,223	841,727
Profit and loss account		<u>(244,616)</u>	<u>65,846</u>
Total equity		<u>1,475,054</u>	<u>907,769</u>

These financial statements have been prepared in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006.

These financial statements have been delivered in accordance with the provisions applicable to companies subject to the small companies regime and the option not to file the Profit and Loss Account has been taken.

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

DFx Technology Limited

(Registration number: 04715569)

Balance Sheet as at 31 May 2017

Approved and authorised by the Board on 18/12/17 and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'Alan Wyn-Davies', written over a dotted line.

Dr Alan Wyn-Davies

Director

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

DFx Technology Limited

Notes to the Financial Statements for the Year Ended 31 May 2017

1 General information

The company is a private company limited by share capital incorporated in Great Britain.

The address of its registered office is:

5 Witan Park
Station Lane
Avenue Two
Witney
Oxfordshire
OX28 4FH

2 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

These financial statements have been prepared in accordance with Financial Reporting Standard 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. During the financial year, the company embarked on a streamlining strategy to focus on core beverage and associated LED products that saw headcount reduce from 68 to 39 employees at the year-end, coupled with a breakeven turnover of below £2.75m. The company received £876,000 equity investment and also converted £614,000 of loans to preference shares to support this process. The company received a further £287k equity injection in July 2017 which saw it complete its transition to a lean, focused business which results in a healthy profit forecast for the year ending May 2018.

DFx continued to receive support from Santander Bank by way of loan, trade finance, invoice finance and overdraft facilities and the directors have expectation that these will continue. Accordingly the directors expect that the company can meet its financial obligations as they fall due and have adopted the going concern basis of presentation of the financial statements.

DFx Technology Limited

Notes to the Financial Statements for the Year Ended 31 May 2017

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.

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.

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 are 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.

DFx Technology Limited

Notes to the Financial Statements for the Year Ended 31 May 2017

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:

Asset class	Depreciation method and rate
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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

DFx Technology Limited

Notes to the Financial Statements for the Year Ended 31 May 2017

Trade debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

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.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

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 2017

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.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

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.

3 Staff numbers

The average number of persons employed by the company (including directors) during the year, was 56 (2016 - 65).

DFx Technology Limited

Notes to the Financial Statements for the Year Ended 31 May 2017

4 Intangible assets

	Development Costs £	Total £
Cost or valuation		
At 1 June 2016	1,577,221	1,577,221
Additions acquired separately	<u>368,390</u>	<u>368,390</u>
At 31 May 2017	<u>1,945,611</u>	<u>1,945,611</u>
Amortisation		
At 1 June 2016	537,505	537,505
Amortisation charge	167,836	167,836
Impairment	<u>22,024</u>	<u>22,024</u>
At 31 May 2017	<u>727,365</u>	<u>727,365</u>
Carrying amount		
At 31 May 2017	<u>1,218,246</u>	<u>1,218,246</u>
At 31 May 2016	<u>1,039,716</u>	<u>1,039,716</u>

The aggregate amount of research and development expenditure recognised as an expense during the period is £63,194 (2016 - £22,400).

DFx Technology Limited

Notes to the Financial Statements for the Year Ended 31 May 2017

5 Tangible assets

	Land and buildings £	Motor vehicles £	Other property, plant and equipment £	Total £
Cost or valuation				
At 1 June 2016	85,569	13,275	589,710	688,554
Additions	4,463	-	27,522	31,985
At 31 May 2017	<u>90,032</u>	<u>13,275</u>	<u>617,232</u>	<u>720,539</u>
Depreciation				
At 1 June 2016	31,379	2,766	495,761	529,906
Charge for the year	9,655	3,319	43,800	56,774
At 31 May 2017	<u>41,034</u>	<u>6,085</u>	<u>539,561</u>	<u>586,680</u>
Carrying amount				
At 31 May 2017	<u>48,998</u>	<u>7,190</u>	<u>77,671</u>	<u>133,859</u>
At 31 May 2016	<u>54,190</u>	<u>10,509</u>	<u>93,949</u>	<u>158,648</u>

Included within the net book value of land and buildings above is £48,998 (2016 - £54,190) in respect of short leasehold land and buildings.

6 Stocks

	2017 £	2016 £
Stock and work in progress	<u>738,641</u>	<u>807,127</u>

DFx Technology Limited

Notes to the Financial Statements for the Year Ended 31 May 2017

7 Debtors

	2017 £	2016 £
Trade debtors	527,179	881,438
Other debtors	<u>828,897</u>	<u>853,922</u>
	1,356,076	1,735,360
Less non-current portion	<u>(593,157)</u>	<u>(593,157)</u>
	<u><u>762,919</u></u>	<u><u>1,142,203</u></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 - £118,630) of tax recoverable is classified as non current.

8 Creditors

		2017 £	2016 £
Due within one year			
Bank loans and overdrafts	9	86,143	547,865
Trade creditors		488,446	675,097
Taxation and social security		114,352	206,240
Other creditors		<u>557,111</u>	<u>977,746</u>
		<u><u>1,246,052</u></u>	<u><u>2,406,948</u></u>
Due after one year			
Loans and borrowings	9	<u><u>924,200</u></u>	<u><u>395,726</u></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.

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.

DFx Technology Limited

Notes to the Financial Statements for the Year Ended 31 May 2017

9 Loans and borrowings

	2017 £	2016 £
Non-current loans and borrowings		
Bank borrowings	287,520	359,400
Finance lease liabilities	22,680	36,326
Redeemable preference shares	614,000	-
	<u>924,200</u>	<u>395,726</u>
	2017 £	2016 £
Current loans and borrowings		
Bank borrowings	71,880	153,602
Finance lease liabilities	14,263	14,263
Redeemable preference shares	-	380,000
	<u>86,143</u>	<u>547,865</u>

The preference shares, which were issued at par, are redeemable on 31 December 2019 at a premium of 20%.

10 Financial commitments, guarantees and contingencies

At 31 May 2017 the Company had total commitments under non-cancellable operating leases over the remaining life of those leases of £785,750 (2016: 949,802)

DFx Technology Limited

Notes to the Financial Statements for the Year Ended 31 May 2017

11 Related party transactions

Transactions with directors

Dr Alan Wyn-Davies

The balance on the Directors loan account at the year end was £237,264 (2016 - £237,264).

Mrs Elizabeth Wyn-Davies

The balance on the Directors loan account at the year end was £237,263 (2016 - £237,263).

Other transactions with directors

During the year the following directors received payment in respect of consultancy services provided to the company. In both cases the amount due at the year end was nil (2016: nil)

Kim Paxton - £13,500 (2016: £18,750)

Nancy Lester - £6,000 (2016: £nil)

GKF Wealth Management (whose directors hold investor shares in the company) charged fees of £60,854 (2016: £38,400) in respect of monitoring and consultancy services.

In June 2016 E Wyn-Davies and A Tinsley, directors, left the company and received a total of £146,000 under settlement agreements.

Other transactions with related parties

Leading Partners Limited - a company whose directors were directors of DFX Technology until June 2016. This company provided DFX Technology Limited with consultancy services with a total cost of £8,787.

12 Non adjusting events after the financial period

The company received a further £287,000 equity injection in July 2017.

13 Audit Report

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