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Registration number: 06544953

POLYPHOTONIX LIMITED
Filleter Annual Report and Unaudited Financial Statements
for the Year Ended 31 March 2020

Polyphotonix Limited

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Polyphotonix Limited

Company Information

Directors	Mr M N Holland Mr R A Kirk Helmsway Ltd Mr D J Barnett Mr A Ramos
Registered office	National Centre For Printable Electronics Netpark Sedgefield Co. Durham TS21 3FG
Bankers	Barclays Bank plc Percy Street Newcastle upon Tyne NE1 4QL
Accountants	MHA Tait Walker Chartered Accountants 1 Massey Road Thornaby Stockton-on-Tees TS17 6DY

Polyphotonix Limited

(Registration number: 06544953)

Statement of Financial Position as at 31 March 2020

	Note	2020 £	2019 £
Fixed assets			
Intangible assets	4	334,956	308,637
Tangible assets	5	320	-
Investments	6	100	100
		<u>335,376</u>	<u>308,737</u>
Current assets			
Stocks		19,800	20,419
Debtors	7	174,014	345,122
Cash at bank and in hand		1,646	262
		<u>195,460</u>	<u>365,803</u>
Creditors: Amounts falling due within one year	8	<u>(2,367,129)</u>	<u>(1,687,785)</u>
Net current liabilities		<u>(2,171,669)</u>	<u>(1,321,982)</u>
Total assets less current liabilities		<u>(1,836,293)</u>	<u>(1,013,245)</u>
Provisions for liabilities		<u>(239)</u>	<u>(10,071)</u>
Net liabilities		<u>(1,836,532)</u>	<u>(1,023,316)</u>
Capital and reserves			
Called up share capital		57,933	57,932
Share premium reserve		3,006,579	2,976,579
Profit and loss account		<u>(4,901,044)</u>	<u>(4,057,827)</u>
Total equity		<u>(1,836,532)</u>	<u>(1,023,316)</u>

For the financial year ending 31 March 2020 the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

Directors' responsibilities:

- The members have not required the company to obtain an audit of its financial statements for the year in question in accordance with section 476; and
- The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of financial statements.

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.

The notes on pages 4 to 14 form an integral part of these financial statements.

Polyphotonix Limited

(Registration number: 06544953)

Statement of Financial Position as at 31 March 2020 (continued)

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 Income Statement has been taken.

Approved and authorised by the Board on 31 March 2021 and signed on its behalf by:

.....

Mr R A Kirk

Director

The notes on pages 4 to 14 form an integral part of these financial statements.

Polyphotonix Limited

Notes to the Financial Statements for the Year Ended 31 March 2020

1 General information

The company is a private company limited by share capital, incorporated in England and Wales.

The address of its registered office is National Centre For Printable Electronics, Netpark, Sedgfield, Co. Durham, TS21 3FG.

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.

These financial statements are presented in sterling which is the functional currency of the entity.

Group accounts not prepared

The company has taken advantage of the option not to prepare consolidated financial statements contained in Section 398 of the Companies Act 2006 on the basis that the company and its subsidiary undertaking comprise a small group.

Polyphotonix Limited

Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

2 Accounting policies (continued)

Going concern

The company meets its day to day working capital and growth requirements through cash generated from operations and external/shareholder investment and borrowings. The directors have assessed the potential impact of the COVID-19 virus and the financial impact on the company and have developed a business continuity plan should the impact of the pandemic widen.

PolyPhotonix Limited (PPX) has continued to develop, patent and exploit intellectual property targeted at the healthcare market. The past year has seen a continued focus on developing the sales channels, both public and private in the UK and increasingly into foreign markets. Trials and evaluations are ongoing, with positive results being reported and published.

The company continues to successfully raise investment funding and together with existing and prospective grants is making good progress. There is increasing interest from international funders and customers. In the last 12 months several international Sales and Distribution Agreements have been agreed. The company remains reliant on investment funding as it develops its commercial sales pipeline and continues to work towards regulatory approval in more countries.

With increasing commercial sales, increased income from distribution partners and cashflow forecasts the Directors consider that it remains appropriate for the company to be treated as a going concern.

Judgements 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 assumptions 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.

Revenue recognition

Turnover represents net invoiced sales of goods and services, excluding value added tax and revenue grants received. Sale of goods are recognised on dispatch of the goods.

Services are typically provided on a contract basis. Where contracts are preformed over time, if there is sufficient certainty over the profitability of the contract then revenue is recognised as the contract activity progresses to reflect the partial performance of the contractual obligations. The amount of revenue included within turnover reflects the accrual of the right to consideration as contract activity progresses by reference to the value of the work preformed. Contracts are assessed on an individual basis and the amount by which recorded turnover is in excess of payments on account is classed as "amounts recoverable on contracts" and separately disclosed within debtors. Amounts billed in excess of amounts matched within turnover are included as Payments on Account, a current liability within the accruals and deferred income. Contract losses are provided for in full and immediately.

Tax

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

Polyphotonix Limited

Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

2 Accounting policies (continued)

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 tax is recognised in respect of all timing differences between taxable profits and profits reported in the financial statements. Unrelieved tax losses and other deferred tax assets are recognised when 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 and that are expected to apply to the reversal of the timing difference.

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.

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
Fixtures and fittings	3 years straight line
Plant and machinery	3 years straight line
Office equipment	3 years straight line

Intangible assets

Separately acquired trademarks and licences are shown at historical cost.

Trademarks, licences and customer-related intangible assets have a finite useful life and are carried at cost less accumulated amortisation and any accumulated impairment losses.

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
Trademarks, patents and licences	1-3 years straight line
Software	3 years straight line

Investments

Interest income on debt securities, where applicable, is recognised in income using the effective interest method. Dividends on equity securities are recognised in income when receivable.

Polyphotonix Limited

Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

2 Accounting policies (continued)

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 Income Statement 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.

Polyphotonix Limited

Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

2 Accounting policies (continued)

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 8 (2019 - 8).

Polyphotonix Limited

Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

4 Intangible assets

	Trademarks, patents and licenses £	Internally generated software development costs £	Total £
Cost or valuation			
At 1 April 2019	367,498	14,526	382,024
Additions acquired separately	67,934	-	67,934
Disposals	(16,346)	-	(16,346)
At 31 March 2020	419,086	14,526	433,612
Amortisation			
At 1 April 2019	58,861	14,526	73,387
Amortisation charge	35,462	-	35,462
Amortisation eliminated on disposals	(10,193)	-	(10,193)
At 31 March 2020	84,130	14,526	98,656
Carrying amount			
At 31 March 2020	334,956	-	334,956
At 31 March 2019	308,637	-	308,637

Polyphotonix Limited

Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

5 Tangible assets

	Fixtures and fittings £	Plant and machinery £	Office equipment £	Total £
Cost or valuation				
At 1 April 2019	13,189	3,813	12,234	29,236
Additions	339	-	-	339
At 31 March 2020	13,528	3,813	12,234	29,575
Depreciation				
At 1 April 2019	13,189	3,813	12,234	29,236
Charge for the year	19	-	-	19
At 31 March 2020	13,208	3,813	12,234	29,255
Carrying amount				
At 31 March 2020	320	-	-	320

6 Investments

	2020 £	2019 £
Investments in subsidiaries	100	100
Subsidiaries		£
Cost or valuation		
At 1 April 2019		100
Carrying amount		
At 31 March 2020		100
At 31 March 2019		100

Polyphotonix Limited

Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

7 Debtors

	2020 £	2019 £
Trade debtors	12,503	2,729
Directors loan accounts	-	50,814
Amounts owed by group undertakings	286	16,885
Prepayments	3,307	14,242
Other debtors	68,907	59,453
Corporation tax asset	89,011	200,999
	<u>174,014</u>	<u>345,122</u>

8 Creditors

Creditors: amounts falling due within one year

	2020 £	2019 £
Due within one year		
Bank loans and overdrafts	13	13
Trade creditors	454,440	481,763
Taxation and social security	23,402	60,985
Accruals and deferred income	197,234	239,230
Other creditors	1,630,630	905,794
Directors loan accounts	61,410	-
	<u>2,367,129</u>	<u>1,687,785</u>

Creditors include convertible debt of £1,344,021 (2019 - £743,790) bearing interest of 7.00%

Polyphotonix Limited

Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

9 Share capital

Allotted, called up and fully paid shares

	2020		2019	
	No.	£	No.	£
A Ordinary shares of £0.001 each	43,485	43	43,365	43
A1 Ordinary shares of £186 each	6	1,116	6	1,116
B Ordinary shares of £0.001 each	14,395	14	14,395	14
C Ordinary shares of £1 each	6,699	6,699	6,699	6,699
Deferred shares of £1 each	50,000	50,000	50,000	50,000
Preferred shares of £0.001 each	59,721	60	59,721	60
	174,306	57,933	174,186	57,933

During the year the company issued 120 A Ordinary shares of £0.001 each.

The various classes of shares confer the following rights on their holders:

Voting

A Ordinary shares, A1 Ordinary shares, B Ordinary shares and C Ordinary shares carry one vote each. Deferred shares and Preferred shares do not carry any voting rights.

Dividends

Deferred shares carry the right to a fixed dividend of 0.01% of par value per annum. The holders of Preferred shares are entitled to 50% of any dividend declared until they have received an aggregate of £6,000,000, the remaining 50% is payable to the holders of A Ordinary, A1 Ordinary shares, B Ordinary and C Ordinary shares. When the holders of Preferred shares have received £6,000,000 in aggregate all subsequent dividends declared are payable to the holders of A Ordinary, A1 Ordinary shares, B Ordinary and C Ordinary shares.

Return of capital

On a return of capital on a winding up or otherwise if the holders of Preferred shares have not received dividends of £6,000,000 in aggregate they are entitled to 50% of any distribution, the remaining 50% is payable to the holders of A Ordinary, A1 Ordinary shares, B Ordinary and C Ordinary shares. If the holders of Preferred shares have received £6,000,000 in aggregate all such distributions are payable to the holders of A Ordinary, A1 Ordinary shares, B Ordinary and C Ordinary shares. Holders of deferred shares are not entitled to any distribution on a winding up or otherwise.

Polyphotonix Limited

Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

10 Share options

Share options

The company has a share option scheme for certain employees to enable them to acquire A Ordinary shares of £0.001 each in the capital of the company. Options are exercisable at a price equal to the average market price of the company's shares on the date of the grant. Options may be exercised on the occurrence of an exit event. Exit events include:

- (a) a change of control of the company;
- (b) dissolution, liquidation or winding up of the company;
- (c) a sale;
- (d) an asset sale;
- (e) a listing on the London Stock Exchange, the alternative Investment Market or any other Recognised Investment Exchange, unless such an event occurs for the purpose of a voluntary reorganisation or reconstruction of the company.

The exercise price of the options available at the year end ranges between £20.50 and £126.24 per share.

the total number of share options available at the year end is 15,004.

The share options lapse and cease to be exercisable upon:

- the 10th anniversary of the death of grant;
- bankruptcy or other voluntary arrangement entered into by the option holder;
- the first anniversary of the option holders death;
- the first anniversary of the option holder ceasing to be an employee of the company due to permanent incapacity of retirement;
- the option holder ceasing to be an employee of the company for another reason;

There are no performance conditions attached to the options.

Polyphotonix Limited

Notes to the Financial Statements for the Year Ended 31 March 2020 (continued)

11 Financial commitments, guarantees and contingencies

Amounts not provided for in the balance sheet

The total amount of financial commitments not included in the statement of financial position is £1,397 (2019 - £1,397).

Amounts disclosed in the balance sheet

Included in the balance sheet are pensions of £9,837 (2019 - £16,588).

12 Related party transactions

Transactions with Polyphotonix Medical Limited, a subsidiary of Polyphotonix Limited:

During the year the company raised sales invoices of £31,200 (2019: £34,300) to Polyphotonix Medical Ltd. At 31 March 2020 debtors includes £286 (2019: £16,885) due from Polyphotonix Medical Ltd.

Transactions with Helmsway Limited, a shareholder and Director of Polyphotonix Limited:

Other creditors includes £100,725 (2019: £57,381) due to Helmsway Limited. During the year the company received loans of £21,000 (2019: £40,000) and services to the value of £20,625 (2019: £17,445) from Helmsway Limited. During the previous year amounts of £68,511 due to Helmsway Limited were converted into 87 A Ordinary shares.

	At 1 April 2018	Advances to directors	At 31 March 2019
	£	£	£
2019			
Directors' loan	25,890	18,424	50,814

	At 1 April 2019	Advances to directors	Repayments by director	At 31 March 2020
	£	£	£	£
2020				
Directors' loan	50,814	105,600	(217,824)	(61,410)

The maximum owing from Mr R A Kirk during the year ended 31st March 2020 was £61,414 (2019: £44,314). This loan has been repaid in full during the year.

The maximum owing from Mr M N Holland during the year ended 31st March 2020 was £6,500 (2019: £6,500).

Both of the above loans are interest free and repayable on demand.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.