

Registered number: 04645054

Ancon Technologies Limited

Unaudited

Financial statements

Information for filing with the registrar

For the year ended 31 July 2022

Chartered accountants' report to the board of directors on the preparation of the unaudited statutory financial statements of Ancon Technologies Limited for the year ended 31 July 2022

In order to assist you to fulfil your duties under the Companies Act 2006, we have prepared for your approval the financial statements of Ancon Technologies Limited for the year ended 31 July 2022 which comprise the Balance sheet and the related notes from the Company's accounting records and from information and explanations you have given us.

As a practising member firm of the Institute of Chartered Accountants in England and Wales (ICAEW), we are subject to its ethical and other professional requirements which are detailed at <https://www.icaew.com/regulation>.

This report is made solely to the Board of directors of Ancon Technologies Limited, as a body, in accordance with the terms of our engagement letter dated 26 August 2021. Our work has been undertaken solely to prepare for your approval the financial statements of Ancon Technologies Limited and state those matters that we have agreed to state to the Board of directors of Ancon Technologies Limited, as a body, in this report in accordance with ICAEW Technical Release TECH07/16AAF. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Ancon Technologies Limited and its Board of directors, as a body, for our work or for this report.

It is your duty to ensure that Ancon Technologies Limited has kept adequate accounting records and to prepare statutory financial statements that give a true and fair view of the assets, liabilities, financial position and loss of Ancon Technologies Limited. You consider that Ancon Technologies Limited is exempt from the statutory audit requirement for the year.

We have not been instructed to carry out an audit or review of the financial statements of Ancon Technologies Limited. For this reason, we have not verified the accuracy or completeness of the accounting records or information and explanations you have given to us and we do not, therefore, express any opinion on the statutory financial statements.

Kreston Reeves LLP

Chartered Accountants

Canterbury

15 November 2022

Balance sheet
As at 31 July 2022

	Note	2022 £	2021 £
Fixed assets			
Intangible assets	5	1,601,944	1,241,894
Tangible assets	6	50,461	102,176
Investments	7	15	15
		<u>1,652,420</u>	<u>1,344,085</u>
Current assets			
Debtors: amounts falling due within one year	8	103,392	233,604
Cash at bank and in hand		111,436	387,229
		<u>214,828</u>	<u>620,833</u>
Creditors: amounts falling due within one year	9	(110,217)	(122,843)
		<u>104,611</u>	<u>497,990</u>
Net current assets			
Total assets less current liabilities		<u>1,757,031</u>	<u>1,842,075</u>
Creditors: amounts falling due after more than one year	10	(1,945,907)	(1,366,006)
		<u>(188,876)</u>	<u>476,069</u>
Net (liabilities)/assets			
Capital and reserves			
Called up share capital	11	305	305
Share premium account		2,490,422	2,490,422
Profit and loss account		(2,679,603)	(2,014,658)
		<u>(188,876)</u>	<u>476,069</u>

The directors consider that the Company is entitled to exemption from audit under section 477 of the Companies Act 2006 and members have not required the Company to obtain an audit for the year in question in accordance with section 476 of the Companies Act 2006.

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.

The Company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

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 15 November 2022.

J Reece
Director

Ancon Technologies Limited
Registered number: 04645054

Balance sheet (continued)
As at 31 July 2022

The notes on pages 4 to 12 form part of these financial statements.

Notes to the financial statements
For the year ended 31 July 2022

1. General information

Ancon Technologies Limited is a limited Company incorporated in England and Wales with the registration number 04645054. The address of the registered office is Canterbury Innovation Centre, University Road, Canterbury, Kent, CT2 7FG.

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 Financial Reporting Standard 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 FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Going concern

Whilst the impact of the COVID-19 pandemic and the war in Ukraine has been assessed by its directors so far as reasonably possible, due to its unprecedented impact on the wider economy, it is difficult to evaluate with any certainty the potential outcomes on the Company's trade, its customers and suppliers. However, taking into consideration the UK Government's response and the Company's planning, the directors have a reasonable expectation that the Company will continue in operational existence for the foreseeable future.

The directors have assessed the financial overview of the Company and believe they are in a position to continue trading for the foreseeable future.

Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

2.3 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

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.

Notes to the financial statements
For the year ended 31 July 2022

2. Accounting policies (continued)

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.5 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term.

2.6 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. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

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.

2.7 Government 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.

2.8 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Notes to the financial statements
For the year ended 31 July 2022

2. Accounting policies (continued)

2.9 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

2.10 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 Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.11 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees, profit or loss is charged with fair value of goods and services received.

2.12 Taxation

Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

2.13 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.

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.

Notes to the financial statements
For the year ended 31 July 2022

2. Accounting policies (continued)

2.14 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.

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

Depreciation is provided on the following basis:

Plant and machinery	-	25%	straight line
Fixtures and fittings	-	25%	reducing balance
Office equipment	-	25%	reducing balance

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.

2.15 Valuation of investments

Investments in unlisted Company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Statement of comprehensive income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

2.16 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.17 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.

2.18 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Notes to the financial statements
For the year ended 31 July 2022

2. Accounting policies (continued)

2.19 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.

Convertible loan notes

The convertible loan notes issued in the previous year may be settled in a variable number of the Company's own equity instruments and are recognised as a complex financial liability in accordance with FRS 102 section 12. The proceeds received on issue are initially measured at transaction price and subsequently measured at fair value through profit or loss, in accordance with the requirements of FRS 102 section 12, at the end of each reporting period.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires the directors to make judgements, estimates and assumptions that can affect the amounts reported for assets and liabilities, and the results for the year. The nature of estimation is such though that actual outcomes could differ significantly from those estimates.

The following judgements have had the most significant impacts on amounts recognised in the financial statements:

Share-based payments

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The estimation of fair value has been determination by the directors on recent transactions in the Company's shares and expectations for future growth in the Company. See note 13 for further details.

Convertible loan notes

As required under FRS 102 the convertible loan notes have been measured at fair value. Due to the lack of observable market prices for similar instruments the valuation is subject to uncertainty. The convertible loan notes are convertible upon maturity (after 3 years from inception), or as a result of further equity financing (where the funds raised are 25% or more of the principal sum of the convertible loan, and where 51% of the loan note holders vote for conversion). In addition, there is a clause on which the loan is automatically converted immediately prior to exit by cash or non cash consideration where the lender would receive a higher value than the repayment of its loan with a redemption premium.

The directors have assessed the probability of the different outcomes and have used an expected value model with a discount rate of 20%, being the estimate cost of capital, to arrive at the fair value of the instruments at the reporting date. The value of the convertible notes at the reporting date is £1,305,955 and there is a fair value loss in the year £399,081 (2021: nil).

Notes to the financial statements
For the year ended 31 July 2022

4. Employees

The average monthly number of employees, including the directors, during the year was as follows:

	2022 No.	2021 No.
Employees	7	11
Directors	3	3
	<hr/>	<hr/>
	10	14
	<hr/>	<hr/>

5. Intangible assets

	Intellectual property £
Cost	
At 1 August 2021	1,241,894
Additions - internal	360,050
	<hr/>
At 31 July 2022	1,601,944
	<hr/>
Net book value	
At 31 July 2022	1,601,944
	<hr/>
At 31 July 2021	1,241,894
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Notes to the financial statements
For the year ended 31 July 2022

6. Tangible fixed assets

	Plant and machinery £	Fixtures and fittings £	Office equipment £	Total £
Cost or valuation				
At 1 August 2021	311,814	2,413	27,588	341,815
Additions	10,978	-	-	10,978
Disposals	-	-	(14,938)	(14,938)
At 31 July 2022	322,792	2,413	12,650	337,855
Depreciation				
At 1 August 2021	221,061	1,918	16,660	239,639
Charge for the year on owned assets	56,334	124	1,711	58,169
Disposals	-	-	(10,414)	(10,414)
At 31 July 2022	277,395	2,042	7,957	287,394
Net book value				
At 31 July 2022	45,397	371	4,693	50,461
At 31 July 2021	90,753	495	10,928	102,176

7. Fixed asset investments

	Unlisted investments £
Cost or valuation	
At 1 August 2021	15
At 31 July 2022	15

8. Debtors

	2022 £	2021 £
Other debtors	94,146	221,668
Prepayments and accrued income	9,246	11,936
	103,392	233,604

Notes to the financial statements
For the year ended 31 July 2022

9. Creditors: Amounts falling due within one year

	2022	2021
	£	£
Bank loans	9,768	9,527
Other loans	33,615	28,014
Trade creditors	16,048	28,856
Other taxation and social security	11,706	18,776
Obligations under finance lease and hire purchase contracts	25,798	23,740
Other creditors	5,043	4,380
Accruals and deferred income	8,239	9,550
	<u>110,217</u>	<u>122,843</u>

10. Creditors: Amounts falling due after more than one year

	2022	2021
	£	£
Bank loans	29,923	39,690
Other loans	1,899,732	1,284,266
Net obligations under finance leases and hire purchase contracts	16,252	42,050
	<u>1,945,907</u>	<u>1,366,006</u>

The loan shown within other loans is secured in favour of Innovate UK Loans Limited by way of fixed and floating charges against the assets held by the Company.

Notes to the financial statements
For the year ended 31 July 2022

11. Share capital

	2022 £	2021 £
Allotted, called up and fully paid		
3,054,900 (2021 - 3,054,900) Ordinary shares of £0.0001 each	<u>305</u>	<u>305</u>

12. Share based payments

The Company operates a share options scheme for directors and employees who receive part of their remuneration in the form of share-based payments.

The options in issue, provide the holder with the right to subscribe for share capital in the Company and vest over three years from the grant date. Each option will lapse on or after the tenth anniversary of the date of grant. There are no performance related conditions attached to the options.

Movements in the number of options in issue are as follows:

	Weighted average exercise price (pence) 2022	Number 2022	Weighted average exercise price (pence) 2021	Number 2021
Outstanding at the beginning of the year	116	222,471	105	216,647
Granted during the year	127	71,500	116	45,824
Expired during the year		(131,647)		(40,000)
Outstanding at the end of the year	<u>127</u>	<u>162,324</u>	<u>116</u>	<u>222,471</u>

No options were exercised at the year end (2021 - none).

An expense of £56,812 (2021 - £70,337) has been recognised in the year in relation to these option

13. Related party transactions

All related party transactions during the current period were made under normal market conditions.

14. Controlling party

In the opinion of the directors, there is no ultimate controlling party.

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.