

REPORT OF THE DIRECTORS AND
UNAUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
FOR
PHOENIX PRODUCT DEVELOPMENT LIMITED

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for the year ended 31 December 2021

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PHOENIX PRODUCT DEVELOPMENT LIMITED

COMPANY INFORMATION
for the year ended 31 December 2021

DIRECTORS:

Mr D M Hollander
Mrs A Bezuidenhout
Mr J Surgeon

SECRETARY:

Mr A R Jones

REGISTERED OFFICE:

Sustainable Workspaces
County Hall
Westminster Bridge Road
London
SE1 7PB

REGISTERED NUMBER:

03681995 (England and Wales)

ACCOUNTANTS:

Raffingers LLP
Chartered Certified Accountants
19-20 Bourne Court
Southend Road
Woodford Green
Essex
IG8 8HD

REPORT OF THE DIRECTORS
for the year ended 31 December 2021

The directors present their report with the financial statements of the company for the year ended 31 December 2021.

PRINCIPAL ACTIVITY

The principal activity of the company, which trades under the "Propelair" brand name, in the year under review was that of developer and manufacturer of water saving products, principally the "Propelair" commercial toilet.

After the Covid lockdowns of 2020, which significantly impacted the company's growth trajectory, 2021 began promisingly, with the company's operations and sales prospects showing marked improvement. Unfortunately, further extensions of the global lockdowns and uncertainty throughout 2021 delayed sales further, both in the UK and South Africa. The management team took action to reduce costs, while still maintaining contact with customers, who had remained engaged throughout the crisis, in anticipation of them once again placing orders, with sustainability and hygiene never having been more relevant.

In line with the strategy to focus on water-stricken regions, in September 2021 the company launched operations in the Middle East, where considerable interest has already been shown in the product. In South Africa, commitments were received from a number of significant property owners and banks, and in both the UK and South Africa, it was encouraging to see the growth of new clients and repeat orders. Although the results for the year were disappointing, they were considerably better than 2020 and showed a strong improvement in margin, with the operations establishing a firm base on which to commence 2022.

In the second quarter, the company moved its "Head Office" to a shared workspace in County Hall in central London. This allowed the establishment of the innovation team in the heart of London's sustainability eco-system, as well as the selling of the use of Propelair toilets in their washrooms. It also provides a central London "showroom" for the Propelair technology. In the last quarter, the company's assembly operations moved into consolidated and improved facilities at new premises in Basildon, where, for the first time, its assembly and stock are in the same location, at similar costs to the prior sites. This has led to significant improvements in operational efficiencies.

Fundraising activities continued during 2021, with the intention of raising sufficient funds to continue product development and sales expansion. This commenced with a further equity investment of £200k in April, followed by the issue of convertible loan notes of c£930k in the second half of the year, including a crowdfunding campaign, while seeking further equity investment.

The directors thank Propelair's staff for their continued commitment, dedication and hard work in taking our innovative and impactful technology to customers that benefit greatly from its water-saving performance and improvements in hygiene, as well as their continued support through challenging times.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2021 to the date of this Report, unless otherwise noted:

Mr R S Smith (resigned 11 April 2022)
Mrs A Bezuidenhout
Mr S D Schroeder (resigned 8 June 2021)
Mr D M Hollander
Mr J D Surgeon (appointed 9 July 2022).

REPORT OF THE DIRECTORS
for the year ended 31 December 2021

POST-BALANCE SHEET EVENT

2022 has started very strongly, with the first seven months almost attaining the combined total sales for both 2020 and 2021. Large and significant orders were received in South Africa, and the fledgling Middle East achieved good traction with orders every month. The company has an extensive pipeline currently in active discussions, which are expected to translate into substantial orders. The expectations are for 2022 to be a record year, with 2023 materially higher, boosted by the expected launch of an enhanced product.

Following the lead of the Nobel Sustainability Fund, managed by Earth Capital Limited, which committed to a further investment of £3m, payable in tranches, the convertible loan notes converted into equity in February. Thereafter the fundraising continued to a total at close of £4.3m, which included both new and existing shareholders.

At the time of approving these financial statements, the directors have a reasonable expectation that the company has adequate resources, augmented by the further funding being raised, to continue in operational existence for the foreseeable future. Thus, the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

This report has been prepared in accordance with the provisions of Part 15 of the Companies Act 2006 relating to small companies.

ON BEHALF OF THE BOARD:

Mr D M Hollander - Director

26 September 2022

ABRIDGED BALANCE SHEET
31 December 2021

| | Notes | 2021 £ | £ | 2020 £ | £ |
|--|-------|------------------|---------------------|------------------|---------------------|
| FIXED ASSETS | | | | | |
| Intangible assets | 4 | | 188,230 | | 202,309 |
| Tangible assets | 5 | | <u>65,762</u> | | <u>134,834</u> |
| | | | 253,992 | | 337,143 |
| CURRENT ASSETS | | | | | |
| Stocks | | 972,773 | | 940,761 | |
| Debtors | | 530,389 | | 522,333 | |
| Cash at bank and in hand | | <u>164,892</u> | | <u>1,078,457</u> | |
| | | 1,668,054 | | 2,541,551 | |
| CREDITORS | | | | | |
| Amounts falling due within one year | | <u>1,398,003</u> | | <u>456,747</u> | |
| NET CURRENT ASSETS | | | <u>270,051</u> | | <u>2,084,804</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | 524,043 | | 2,421,947 |
| CREDITORS | | | | | |
| Amounts falling due after more than one year | | | <u>44,668</u> | | <u>52,016</u> |
| NET ASSETS | | | <u>479,375</u> | | <u>2,369,931</u> |
| CAPITAL AND RESERVES | | | | | |
| Called up share capital | | | 193,359 | | 189,227 |
| Share premium | | | 16,028,285 | | 15,824,148 |
| Retained earnings | | | <u>(15,742,269)</u> | | <u>(13,643,444)</u> |
| SHAREHOLDERS' FUNDS | | | <u>479,375</u> | | <u>2,369,931</u> |

The company is entitled to exemption from audit under Section 477 of the Companies Act 2006 for the year ended 31 December 2021.

The members have not required the company to obtain an audit of its financial statements for the year ended 31 December 2021 in accordance with Section 476 of the Companies Act 2006.

The directors acknowledge their responsibilities for:

- (a) ensuring that the company keeps accounting records which comply with Sections 386 and 387 of the Companies Act 2006 and
- (b) preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of each financial year and of its profit or loss for each financial year in accordance with the requirements of Sections 394 and 395 and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements, so far as applicable to the company.

ABRIDGED BALANCE SHEET - continued
31 December 2021

The financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies regime.

All the members have consented to the preparation of an abridged Income Statement and an abridged Balance Sheet for the year ended 31 December 2021 in accordance with Section 444(2A) of the Companies Act 2006.

In accordance with Section 444 of the Companies Act 2006, the Income Statement has not been delivered.

The financial statements were approved by the Board of Directors and authorised for issue on 26 September 2022 and were signed on its behalf by:

Mr D M Hollander - Director

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2021

1. STATUTORY INFORMATION

Phoenix Product Development Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

The presentation currency of the financial statements is Pound Sterling (£).

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" including the provisions of Section 1A "Small Entities" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

Following the successful raise of a further approximate £2.9m of equity investment in 2020, fundraising activities continued during 2021 with the intention of raising sufficient funds to continue product development and sales expansion. This commenced with a further equity investment of £200k in April, followed by the issue of convertible loan notes of c£930k in the second half of the year, including a crowdfunding campaign, while seeking further equity investment. Following the lead of the Nobel Sustainability Fund, managed by Earth Capital Limited, which committed to a further investment of £3m payable in tranches, the convertible loan notes converted into equity in February. Thereafter the fundraising continued to a total at close of £4.3m, which included both new and existing shareholders.

Although the results for 2021 were disappointing, they were considerably better than 2020 and showed a strong improvement in margin, with the operations establishing a firm base on which to launch 2022. This included the launch of operations in the Middle East, where considerable interest has already been shown in the product, and in South Africa commitments were received from a number of very significant property owners and banks. Notable in both regions was the extent of both new clients and repeat orders. In consequence, 2022 has started very strongly with the first seven months almost reaching the combined sales for both 2020 and 2021 together. Large and significant orders were received in South Africa, and the fledgling Middle East achieved good traction with orders every month. The company has an extensive pipeline currently in active discussions, which are expected to translate into substantial orders. The expectations are for 2022 to be a record year, with 2023 materially higher, boosted by the expected launch of an enhanced product. Consequently, at the time of approving these financial statements, the directors have a reasonable expectation that the company has adequate resources to continue its operational existence for the foreseeable future. Thus, the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Turnover

Turnover is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Sale of goods:

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services:

Revenue from the installation and servicing of the Propelair system is recognised by reference to billable labour hours incurred.

Interest income:

Revenue is recognised as interest accrues using the effective interest method.

Intangible fixed assets and amortisation

Patents, trademarks and registered designs are valued at cost less accumulated amortisation. Amortisation is calculated to write off the cost in equal annual instalments over the shorter of their estimated useful lives and their remaining legal term.

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 December 2021

2. ACCOUNTING POLICIES - continued

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Plant and machinery - between 10% and 20% on cost or its remaining useful life if shorter

Furniture and fittings - 33.3% on cost

Computers and equipment - 33.3% on cost

Motor vehicles and trailers - 20% on cost

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Research and development

Expenditure on research and development is written off in the year in which it is incurred.

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to profit or loss over the relevant period. The capital element of the future payments is treated as a liability.

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate.

Grant incomes

All grant incomes are recognised once the company has entitlement to the resources, it is certain that the resources will be received, and the monetary value of the incoming grants can be measured with sufficient reliability.

Financial instruments

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument and derecognised when in the case of assets, the contractual rights to cash flows from the assets expire or substantially the risks and rewards of ownership are transferred to another party, or in the case of liabilities, when the company's obligations are discharged, expire or are cancelled.

The company holds the following financial instruments, all of which meet the conditions to be classified as basic instruments:

- Cash, short term trade debtors and creditors

Such instruments are initially measured at transaction price, including transaction costs, and are subsequently carried at the undiscounted amount of cash or other consideration expected to be paid or received, after taking account of any impairment adjustment.

Short term debtors and creditors

Short term debtors and creditors with no stated interest rate are recorded at transaction price. Any losses arising from impairment are recognised in the profit and loss account.

Loans and borrowings

Loans and borrowings are initially recognised at the transaction price including transactions costs. Subsequently, they are measured at amortised cost using the effective interest rate method, less impairment.

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 December 2021

3. **EMPLOYEES AND DIRECTORS**

The average number of employees during the year was 23 (2020 - 20) .

4. **INTANGIBLE FIXED ASSETS**

| | Totals £ |
|-----------------------|----------------|
| COST | |
| At 1 January 2021 | 314,471 |
| Additions | <u>6,361</u> |
| At 31 December 2021 | <u>320,832</u> |
| AMORTISATION | |
| At 1 January 2021 | 112,162 |
| Amortisation for year | <u>20,440</u> |
| At 31 December 2021 | <u>132,602</u> |
| NET BOOK VALUE | |
| At 31 December 2021 | <u>188,230</u> |
| At 31 December 2020 | <u>202,309</u> |

5. **TANGIBLE FIXED ASSETS**

| | Totals £ |
|-----------------------|----------------|
| COST | |
| At 1 January 2021 | 710,375 |
| Additions | <u>11,556</u> |
| At 31 December 2021 | <u>721,931</u> |
| DEPRECIATION | |
| At 1 January 2021 | 575,541 |
| Charge for year | <u>80,628</u> |
| At 31 December 2021 | <u>656,169</u> |
| NET BOOK VALUE | |
| At 31 December 2021 | <u>65,762</u> |
| At 31 December 2020 | <u>134,834</u> |

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 December 2021

5. TANGIBLE FIXED ASSETS - continued

Fixed assets, included in the above, which are held under hire purchase contracts are as follows:

| | Totals £ |
|---|---------------|
| COST | |
| At 1 January 2021 and 31 December 2021 | <u>20,495</u> |
| DEPRECIATION | |
| At 1 January 2021 | 5,073 |
| Charge for year | <u>4,190</u> |
| At 31 December 2021 | <u>9,263</u> |
| NET BOOK VALUE | |
| At 31 December 2021 | <u>11,232</u> |
| At 31 December 2020 | <u>15,422</u> |

6. SECURED DEBTS

The following secured debts are included within creditors:

| | 2021 £ | 2020 £ |
|-------------------------|----------------|---------------|
| Hire purchase contracts | 32,702 | 13,244 |
| Convertible loan notes | <u>928,310</u> | <u>-</u> |
| | <u>961,012</u> | <u>13,244</u> |

The convertible loan notes are secured over the company's IP; hire purchase contracts are secured over the assets to which they relate.

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.