GREENKOTE PLC

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

Company Number: 05363416

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I am pleased to present my annual Chairman's Statement and audited financial results for Greenkote Plc for the year ended 31 December 2021, a year with continued unprecedented challenges as the pandemic recovery progressed. Despite the social and economic upheavals associated with the global pandemic, the Company maintained trading at all times and managed to generate a modest pre-tax profit for the year.

Background to Greenkote Plc

Greenkote is engaged in the development and marketing of a proprietary and patent-protected thermal diffusion technology (the Greenkote Technology) for the coating of finished metal components. The company is also engaged in a coating service business in conventional powder paint and e-coat processes with an operation in Mexico. The Group's primary customers are automotive based, but the company also targets other market segments where the Company's technologies can provide a competitive advantage.

Highlights of 2021

The COVID pandemic and recovery dominated our planning for much of 2021 and Greenkote generated a turnover of £6.7 million, an 11% decrease to 2020. The Company generated a profit before tax of £13k for the year against £475k in 2020. 2021 produced a net loss after tax of £291k against a profit of £172k in 2020

Our traditional coating operation in Mexico experienced a decline in sales of 20% over 2020. The reduction in turnover directly resulted from supply change shortages and dysfunction which plagued the automotive market as most sections of the global market tried to resume operation. Mexican labour laws were significantly changed in May 2021, which increased labour and benefit costs in 2021. These higher costs will be a continued pressure on margins for the Mexican operation going forward.

Greenkote Technology coating service revenue in Ohio grew by 5% over 2020. The Ohio operation experienced some of the supply chain difficulties described for Mexico but was able to keep the business growing with some market diversification. Powder sales decreased by 47% over 2020; activity remained strong in the UK but was cut dramatically in China. Overall, the Greenkote Technology revenue decreased by 17% vs 2020.

Greenkote participated in the US Government CARES Act Payroll Protection Program (PPP) which provided funding to support companies in maintaining operations and cash flow through the business turmoil from the COVID pandemic. Greenkote obtained funding from Phase 1 of the program in May 2020 and from Phase 2 of the program in early 2021. The PPP funding in both Phase 1 and 2 totalling US$291k was fully forgiven under the underlying rules for the use of the funds in 2021.

Additional working capital support was created in August 2020 by establishing a receivables factoring agreement for our billings in Mexico. We qualified two customers under this agreement with an initial limit totalling US$500k, which we can utilize as cash needs develop. At year-end we had less than $2k outstanding on this instrument.

The Greenkote Technology business, which encompasses service coating, powder sales, coating equipment and license sales, remained focused on building brand recognition and market traction in North America and Europe, and expanding non-automotive markets. All activities associated with the Greenkote Technology business remain within the cash generation capabilities of the Group. The economic impact of the pandemic restrictions has lengthened the long qualification cycle associated with new coatings, with new projects coating service, licensing and equipment sales being slowed, delayed, or postponed indefinitely.

Financing

The Company continued to explore options and opportunities for further sources of investment and equipment financing to grow the Greenkote Technology business, although the general appetite was still recovering from the pandemic. The Company continued operating the Greenkote Technology business development activities within the cash generation capabilities of the Group and explored efforts to seek potential financing and strategic partnerships in 2021.

Outlook

Overall, the business climate and outlook for 2022 is one of caution. Supply chain inefficiency, inflation, in the form of higher material and labour costs, economic shutdowns in China, as well as the geopolitics of the situation in Ukraine will present their own set of unique challenges as the year progresses. The Mexican operation is in qualification on significant short and long term opportunities to increase facility. The Greenkote Technology has qualified for several new customer applications that could ramp in 2022 and has several new opportunities in various stages of testing. The Company continues to search for opportunities for funding and partnerships to establish an additional Greenkote Technology coating facility in Central Europe as a critical next step in driving a more global market presence

We appreciate the continued support of all our Stakeholders as we have all sought to navigate and surmount the challenges of 2022.

V Segal

Victor Segal
Chairman
28 June 2022

BUSINESS REVIEW

Ultimately, the Company is seeking to establish a global footprint as a Greenkote Technology supplier and would expect to become an interesting acquisition candidate for a larger scale global coating company, strategic end-user, and/or raw material supplier. The Company's intermediate strategy is to: a) achieve further global adoption and penetration of end users through the combined efforts of our Ohio coating service facility and our expanding licensee network; b) establish a coating service center in Europe to replicate the market success of the Ohio operation; c) broaden the range of addressable vertical markets outside of automotive and construction for Greenkote Technology; d) expand the effort on providing turn-key coating systems as a means of increasing revenue and accelerating adoption by prospective licensees; e) drive increasing demand for the Company's proprietary blended raw materials for the coating users; and f) seek equity investment from a strategic partner or third party financial sponsor in order to assure adequate financing and faster implementation of its targeted initiatives.

PRINCIPAL RISKS AND UNCERTAINTIES

The successful execution by the Company remains subject to several key risk factors. The Company is devoting extensive resources on business development activity to drive market adoption of the Greenkote Technology. Market adoption requires changing the existing market and supply chain perception, which has proven a time-consuming process and there is no certainty on the speed of further uptake. The transition of the Greenkote Technology to licensees and customers needs adequate time, resources, and support to facilitate a seamless transition. These factors will consume financial resources, and there is no certainty the Company has adequate financial strength to complete these critical tasks. The Company is reliant on financial resources generated by its Mexican operations, which are subject to political and economic influences from within and outside of Mexico. The global COVID pandemic and ensuing supply chain crisis have presented new risks and uncertainty on the economic impacts on the business and its cashflows, which to this point we have circumvented, but may have some lingering or continued impact in the coming year on the Company.

FINANCIAL KEY PERFORMANCE INDICATORS

The financial results of Greenkote Plc for the twelve months to 31 December 2021 show turnover of £6,673,304 (£7,505,853 in 2020), and profit before tax of £12,636 for the year (£474,729 in 2020). Cash flow from operating activities was £143,525 in 2021 (outflow of £39,241 in 2020).

Greenkote Technology experienced stronger coating service sales in 2021 driven by new long-term orders from customers and lower licensee powder orders in 2021. Overall Greenkote Technology revenue decreased by 17% over 2020. The conventional coatings business in Mexico experienced a reduction in sales over 2020 of 20% from the impact of the temporary shutdown of the North American automotive industry.

PRINCIPAL ACTIVITIES

The business of Greenkote Plc and its principal activity is that of a holding company. Its subsidiary companies, Greenkote (Israel) Ltd, and Greenkote NA Holdings, Inc. and its subsidiaries, provide a full range of innovative coating solutions. Greenkote (Israel) Ltd, located in Israel, is the research and development site for the Group's new technology coatings, which provide a high performance and environmentally superior proprietary metal coating. The site also contains licensed limited production capabilities. Greenkote USA, Inc. was established as a subsidiary of Greenkote Plc in April 2008 to develop the US market for the Group's new technology. Its operations include the corporate headquarters and a Greenkote Technology production line in Brook Park Ohio, which began commercial production at the end of 2009. Greenkote NA Holdings, Inc. was established in January 2007 as Greenkote IPC Holdings, Inc. in the US to acquire the assets of a traditional coatings technology service provider, Industrial Powder Coatings, Inc. and Industrial Powder Coatings de Mexico, S.A. de C.V. (together "IPC"). IPC's four plants in the US and Mexico were restructured in early 2009 resulting in the divestiture of the three US plants and dissolution of the Greenkote IPC, Inc. entity in April 2009. Effective from 1 January 2010, Greenkote IPC Holdings, Inc. was renamed Greenkote NA Holdings, Inc.

ON BEHALF OF THE BOARD ON 28 JUNE 2022

V Segal

Victor Segal
Chairman

Highdown House,
Yeoman Way, Worthing
West Sussex BN99 3HH

The directors present the annual report together with the audited financial statements for the year ended 31 December 2021.

DIRECTORS

The directors who served during the year were:
Victor Segal (Chairman)
Robert Hayim
Mark Gore
James Thomson

DIVIDENDS

The directors do not propose a final dividend (2020: £Nil).

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

So far as each of the directors is aware at the time the report is approved:

- there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

GOING CONCERN

The directors have reviewed recent history and forecasts of cash generation of the group and noted that over the last eight years the group has generated positive operating cash flow in all but two years and in the last five years generated a total of £736k. Review of the group's current cash forecasts indicates a projected growth in the traditional coating services in Mexico and the Greenkote technology business. The actions taken by the directors to respond to the COVID pandemic in 2020 have maintained trading until customer orders returned. These actions included establishing a US$500k financial facility, two rounds of US COVID PPP funding totalling US$291k, and deferring £300k of salaries. Additionally, funds from delayed filings of some 2020 VAT and refunds of 2020 provisional income tax assisted cash in 2021. While there remains some uncertainty on future economic impacts from the COVID pandemic, recognizing the group's history of managing and balancing operating cash needs with the actual volumes realized and the additional financial resources developed in 2020 and being received in 2021, the directors have a reasonable expectation that the group will continue in operational existence for the twelve months from the approval of these financial statements and therefore continue to present the financial statements on a going concern basis.

ON BEHALF OF THE BOARD ON 28 JUNE 2022

V Segal

Victor Segal
Chairman

Highdown House,
Yeoman Way, Worthing,
West Sussex BN99 3HH

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GREENKOTE PLC

Opinion
We have audited the financial statements of Greenkote Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statement of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated and Company Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and parent company's affairs as at 31 December 2021 and of the group loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information
The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the group and parent company financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the group and parent company financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:
• adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
• the parent company financial statements are not in agreement with the accounting records and returns; or
• certain disclosures of directors' remuneration specified by law are not made; or
• we have not received all the information and explanations we require for our audit

Responsibilities of directors
As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud.

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to regulatory requirements for the manufacturing sector, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006, income tax, payroll tax and sales tax.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to revenue and management bias in accounting estimates. Audit procedures performed by the engagement team included:
• Discussions with management including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
• Evaluating management's controls designed to prevent and detect irregularities;
• Challenging assumptions and judgements made by management in their critical accounting estimates.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ian Cliffe (Senior statutory auditor)
for and on behalf of Haysmacintyre LLP, Statutory Auditors

10 Queen Street Place
London EC4R 1AG

Date: 28 June 2022

GREENKOTE PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £	2020 £
Turnover	4(b)	6,673,304	7,505,853
Cost of sales		(5,099,902)	(5,207,850)
Gross profit		1,573,402	2,298,003
Production Facilities and Administrative expenses	4(g)	(711,881)	(764,685)
R&D, Selling and Administrative expenses	4(h)	(1,024,993)	(1,057,645)
Total Selling and Administrative expenses		(1,736,874)	(1,822,330)
Operating (loss)/profit	6	(163,472)	475,673
Interest (payable) and similar charges	11	(33,828)	(944)
Other income and expense	4(k)	209,936	-
Profit on ordinary activities before taxation		12,636	474,729
Tax on profit on ordinary activities	12	(303,403)	(303,163)
(Loss)/profit for the financial year	22	(290,767)	171,566
Other comprehensive income: Currency translation differences		36,984	(83,587)
Total comprehensive (loss)/profit for the year	22	£(253,783)	£87,979

GREENKOTE PLC COMPANY NUMBER: 05363416

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Notes	2021 £	2020 £
FIXED ASSETS			
Tangible assets	14	792,430	841,648
CURRENT ASSETS			
Stock	16	153,294	128,273
Debtors	17	1,499,863	1,921,777
Cash at bank and in hand		496,162	454,840
		2,149,319	2,504,890
CREDITORS: amounts falling due within one year	18	(1,240,776)	(1,367,907)
NET CURRENT ASSETS		908,543	1,136,983
TOTAL ASSETS		1,700,973	1,978,631
CREDITORS: amounts falling due after more than one year	19	(597,070)	(620,945)
NET ASSETS		£1,103,903	£1,357,686
CAPITAL AND RESERVES			
Called up share capital	20	908,295	908,295
Share premium account	22	9,356,414	9,356,414
Merger reserve	22	16,218	16,218
Profit and loss account	22	(9,177,024)	(8,923,241)
SHAREHOLDERS' EQUITY		£1,103,903	£1,357,686

The financial statements were approved by the Board of Directors on 28 June 2022.
Signed on behalf of the Board of Directors:

V Segal

Victor Segal
Chairman

GREENKOTE PLC

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Notes	2021 £	2020 £
FIXED ASSETS			
Investments	15	137,261	137,261
CURRENT ASSETS			
Debtors	17	2,900,880	2,788,200
Cash at bank and in hand		1,035	795
		2,901,915	2,788,995
CREDITORS: amounts falling due within one year	18	(996,219)	(763,345)
NET CURRENT ASSETS		1,905,696	2,025,650
TOTAL ASSETS		2,042,957	2,162,911
CREDITORS: amounts falling due after more than one year	19	(563,771)	(563,771)
NET ASSETS		£1,479,187	£1,599,140
CAPITAL AND RESERVES			
Called up share capital	20	908,295	908,295
Share premium account	22	9,356,414	9,356,414
Profit and loss account	22	(8,785,522)	(8,665,569)
SHAREHOLDERS' EQUITY		£1,479,187	£1,599,140

The financial statements were approved by the Board of Directors on 28 June 2022.
Signed on behalf of the Board of Directors:

V Segal

Victor Segal
Chairman

GREENKOTE PLC

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £	2020 £
Cash flows from operating activities			
Loss/profit for the financial year	6	(290,767)	171,566
Adjustments for:			
Depreciation of tangible assets	14	130,620	103,010
Net finance expenditure	11	33,828	944
Taxation	12	303,403	303,163
(Increase)/Decrease in stocks	16	(25,021)	70,277
Decrease/(Increase) in debtors	17	421,913	(239,250)
(Decrease) in trade creditors	18,19	(127,048)	(145,788)
Cash from operations		**446,928**	**263,922**
Income taxes paid	12	(303,403)	(303,163)
Net cash generated/(used) from operating activities		**143,525**	**(39,241)**
Cash flows from investing activities			
Purchases of tangible assets	14	(84,792)	(302,535)
Disposal of tangible assets	14	2,022	679
Net cash used in investing activities		**(82,770)**	**(301,856)**
Cash flows from financing activities			
Interest (paid)	11	(33,828)	(944)
Working capital and equipment loans	4(k)	(23,958)	194,734
Net cash (used)/generated in financing activities		**(57,786)**	**193,790**
Net increase/(decrease) in cash and cash equivalents		**2,969**	**(147,307)**
Foreign exchange translation adjustment		38,353	(11,305)
Cash and equivalents at beginning of year		454,840	613,452
Cash and cash equivalents at end of year		**£496,162**	**£454,840**

GREENKOTE PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Called-up share capital £	Share premium account £	Merger reserve £	Profit and loss Account £	Total equity £
At 1 January 2020	**£908,295**	**£9,356,414**	**£16,218**	**£(9,011,220)**	**£1,269,707**
Profit for the year				171,566	171,566
Foreign exchange translation difference				(83,587)	(83,587)
Total comprehensive income for the year				**87,979**	**87,979**
At 31 December 2020	**£908,295**	**£9,356,414**	**£16,218**	**£(8,923,241)**	**£1,357,686**
Loss for the year				(290,767)	(290,767)
Foreign exchange translation difference				36,984	36,984
Total comprehensive loss for the year				**(253,783)**	**(253,783)**
At 31 December 2021	**£908,295**	**£9,356,414**	**£16,218**	**£(9,177,024)**	**£1,103,903**

GREENKOTE PLC

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Called-up share capital £	Share premium account £	Profit and loss account £	Total Equity £
At 1 January 2020	**£908,295**	**£9,356,414**	**£(8,588,187)**	**£1,676,522**
Loss for the year			(104,978)	(104,978)
Foreign exchange Translation difference			27,596	27,596
Total comprehensive income for the year			(77,382)	(77,382)
At 31 December 2020	**£908,295**	**£9,356,414**	**£(8,665,569)**	**£1,599,140**
Loss for the year			(98,204)	(98,204)
Foreign exchange translation difference			(21,749)	(21,749)
Total comprehensive income for the year			(119,953)	(119,953)
At 31 December 2021	**£908,295**	**£9,356,414**	**£(8,785,522)**	**£1,479,187**

1. COMPANY INFORMATION

Greenkote Plc is incorporated and registered as a public limited company in England and Wales with the registered address of Highdown House, Yeoman Way, Worthing, West Sussex England BN99 3HH, and headquarters at 6435 Eastland Road, Brook Park, Ohio, USA, 44142.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with applicable UK accounting standards, including Financial Reporting Standard 102 and with the Companies Act of 2006. The financial statements have been prepared on the historical cost basis.

The financial statements are presented in Sterling (£). The group financial statements consolidate the financial statements of Greenkote Plc and all its subsidiary undertakings drawn up to 31 December each year. The individual accounts of Greenkote Plc have adopted the disclosure exemption regarding exposure to and management of financial risks.

Going Concern
The directors have reviewed recent history and forecasts of cash generation of the group and noted that over the last eight years the group has generated positive operating cash flow in all but two years and in the last five years generated a total of £736k. Review of the group's current cash forecasts indicates a projected growth in the traditional coating services in Mexico and the Greenkote technology business. The actions taken by the directors to respond to the COVID pandemic in 2020 maintained trading until customer orders returned. These actions included establishing a US$500k financial facility, two rounds of US COVID PPP funding totalling US$291k, and deferring £300k of salaries. Additionally, funds from delayed filings of some 2020 VAT and refunds of 2020 provisional income tax assisted cash in 2021. While there remains some uncertainty on future economic impacts from the COVID pandemic, recognizing the group's history of managing and balancing operating cash needs with the actual volumes realized and the additional financial resources developed in 2020 and being received in 2021, the directors have a reasonable expectation that the group will continue in operational existence for the twelve months from the approval of these financial statements and therefore continue to present the financial statements on a going concern basis.

3. SIGNIFICANT JUDGEMENTS AND ESTIMATES

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgments and estimates have been made include the useful economic lives of tangible fixed assets and the valuation of stock.

Tangible fixed assets (see note 4c)
Tangible fixed assets are depreciated over their useful lives taking into account residual values where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Valuation of stock
The Group applies coatings to metal parts of which some coatings are manufactured and some are purchased. The parts are owned by the customer and provided to the company for coating on a quick turnaround basis, consisting of usually a couple days to a week. As a result the risk of loss of value in the coated parts is considered minimal. Coatings are stocked based upon expected order demand and therefore are at risk of a loss in value due to change in customer future needs. Adjustments are made to reduce the valuation of coatings on hand when such demand changes occur.

4. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of consolidation

Subsidiary undertakings are accounted for from the effective date of acquisition. Greenkote (Israel) Ltd was acquired by way of a share for share exchange and, under FRS 102 merger accounting has been adopted as the basis for consolidation. The consolidation of Greenkote NA Holdings, Inc. has been accounted for under the acquisition method of accounting.

(b) Turnover

Turnover represents sales of goods and services supplied to outside customers at invoiced amounts less value added tax. Turnover is recognised upon despatch from the company plant at which point title and risk passes to the customer. Credit notes issued to customers to resolve any invoicing issues are recognized when issued.

(c) Tangible fixed assets

Fixed assets are stated at cost less accumulated depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset by equal monthly instalments over its expected useful life, as follows:

Leasehold improvements	length of the lease
Laboratory equipment	7-15% per annum
Production equipment	10% per annum
Office furniture and equipment	6% per annum
Computer equipment	33% per annum

(d) Stock

Stock is valued at the lower of cost and net realisable value.

(e) Other income

Grants receivable from the Israeli Government and Britech Foundation are recognised at the time the Company receives such grants as these relate to a participation in certain R&D expenditures. These revenue grants are shown as other income when received. The grants are repayable based on certain levels of royalties on sales for which the grant was given. These amounts are accounted for as an expense as the sales are made. The Britech Foundation stopped its operation and was dissolved in 2014, but following conservative accounting an accrual for the unpaid obligations until its closure has been included in the financial statements. No claims have been received since this time for any unpaid amounts.

(f) Reporting currency

The majority of the Group's turnover is generated in United States Dollars. For the purpose of reporting requirements, the financial information has been presented in Sterling. The year-end currency exchange rate used was £1 to $1.3308 (2020: £1 to $1.3428). The average rate used was £1 to $1.3751 (2020: £1 to $1.2841).

(g) Production Facilities and Administration

Certain fixed costs of production facilities are reported in the Selling and Administrative cost category in the Consolidated Statement of Comprehensive income. These fixed costs include plant rent, equipment and building depreciation, equipment leases, insurance, and plant manager pay and benefits.

(h) Research and development

All expenditure relating to research and development expenditure is expensed directly to the profit and loss account.

(i) Foreign Currency

The results of the subsidiary companies are translated into Sterling at the average rate of exchange for the year. The assets and liabilities of the subsidiary companies are translated into Sterling at the rate of exchange ruling at the year end.

4. PRINCIPAL ACCOUNTING POLICIES (continued)

(j) Share based payments

FRS 102 requires the Group to recognise an expense in respect of the granting of shares to employees and directors. This expense, which is calculated by reference to the fair value of the options granted, is recognised on a straight line basis over the vesting period based on the Group's estimate of options that will eventually vest (note 21). The Directors have used the Black Scholes model to estimate the value of options granted in the current and prior periods. Expense recognised was £Nil in 2021 (charge of £Nil in 2020). Deferred shares issued by the company have also been accounted for under FRS 102 but in this case, the appropriate charge has been capitalised as part of fund raising costs, therefore does not impact on the profit or loss for the year in which they were issued

(k) Long term debt

In 2008 the company placed loan notes totalling £2,953,500. Each of these loan notes included an option to separately subscribe for 1.8218 fully paid up Ordinary shares at par value. The debt is secured by a debenture from the company plus shares and assets of Greenkote (Israel) Ltd, and Greenkote USA, Inc.

In May 2017 the Loan Note principal obligation of £3,935,742 was converted to investment in Class A shares. The Class A shares have preference over Ordinary Shares on net proceeds on an equity event. The accrued interest of £563,771 remains a liability item and the associated security liens continue to remain in place. The accrued interest will be paid prior to any distribution of funds to any Shareholders. There is no scheduled payment of the accrued interest prior to an exit event.

The Company signed forgivable term notes with their bank for US$149,400 in 2020 and US$141,830 in 2021 under the US CARES Act Paycheck Protection Program. Interest was deferred for an initial period. The Company met the requirements for forgiveness of all obligations and received forgiveness from the US SBA in 2021.

To finance approximately 50% of the cost of new equipment in the US plant, a 36-month equipment finance agreement was signed for US$ 111,500 on December 15, 2020. The debt is secured by the new equipment.

To support working capital needs, a factoring agreement was established in July 2021 for 80% of the invoice amount for qualified customers of the Mexican plant. Credit limits approved for two customers total $500,000. The Company can select which invoices are factored as needed. Outstanding balance on December 31, 2021, was US$2,354 (US$596 in 2020).

(l) Financial instruments

Financial assets - consist of cash, cash equivalents and trade debtors. These are measured initially at cost and subsequently adjusted to reflect any appraisal of diminution of fair value.

Financial liabilities – consist of trade creditors, loan notes and short and long term financing loans. They are measured initially at the amount of the net proceeds. They are classified according to the substance of the financial instrument's contractual obligation, rather than its legal form.

Finance costs – from creation of debt are initially capitalised and are then amortised to the profit and loss account over the term of the instruments at a constant rate on the carrying amount.

(m) Cash and cash equivalents

Cash and cash equivalents include cash at bank, in hand, and daily investments of cash surpluses with immediate availability. Daily investments are valued at their nominal value and yields, which are recognized in income as earned.

(n) Leased assets

The company has no assets which are financed by leasing agreements that give rights approximating to ownership ('finance leases'). As such, all leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

(o) Debtors

Short term debtors are measured at transaction price, less any impairment.

4. PRINCIPAL ACCOUNTING POLICIES (continued)

(p) **Creditors**
Short term trade creditors are measured at the transaction price. Other financial liabilities, including financing loans, are measured at transaction cost including financing fees.

(q) **Holiday pay accrual**
A liability is recognized to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

5. BUSINESS SEGMENT ANALYSIS

The turnover, profit on ordinary activities before taxation and net liabilities of the Group are attributable to multiple coating activities, research and development of diffusion coating technology for metals and coating of customer products with powder, and electro-coat. 100% of the Group's turnover was earned outside the UK in 2021 (100% in 2020). Turnover from coating of customer products was £6,424,337 in 2021 (£7,035,529 in 2020) in the Americas. Turnover from sale of diffusion coating materials and licenses was £248,967 in 2021 (£470,324 in 2020) from Israel.

6. OPERATING (LOSS)/PROFIT	**2021**	**2020**
	£	**£**
Operating (Loss)/Profit is stated after charging:		
Depreciation	130,620	103,010
Auditors - audit fees	22,500	22,500
- Fees paid to subsidiary auditors	21,037	26,857

7. AUDITORS REMUNERATION	**2021**	**2020**
	£	**£**
Audit Services:		
-Audit of the company's accounts	22,500	22,500
Other Services:		
-Tax compliance services	1,620	3,910
-Other non-audit services	695	1,935
	£24,815	£28,345

8. EMPLOYEES

On 1 January 2011 the employees in Mexico were transferred to an independent service company, Soluciones IPC, S.A. de C.V, whereby the company received their services via a management fee. On 1 May 2021 new Mexican labour laws mandated they be transferred back to the Company.

The total staff costs including management fees for the year ended 31 December 2021, totalled £3,682,719 (2020: £3,059,547).

There were no pension expenses for the company for the year ended 31 December 2021 (2020: £Nil).

The average number of persons (including directors) employed by the Group during the year was 190 (2020: 11 plus the services of a further 180 persons received from Soluciones IPC, S.A. de C.V.)

9. KEY MANAGEMENT REMUNERATION	**2021**	**2020**
	£	**£**
Key management emoluments	£884,360	£768,942

There were an average of five key employees in 2021 and in 2020.

10. DIRECTORS' REMUNERATION

	2021	2020
	£	£
Directors' emoluments	£452,404	£345,384

The highest paid director received £212,067 (2020: £168,801) including pension contributions of £4,788 (2020: £3,267) and benefits of £35,471 (2020: £38,167). £96,862 of the Directors' remuneration was unpaid and deferred at December 2021 (£178,367 at December 2020).

11. NET INTEREST RECEIVABLE / PAYABLE

	2021	2020
	£	£
Bank and other interest payable/(receivable)	33,828	944
Net interest payable/(receivable)/	£33,828	£944

12. TAXATION

The Company formed a Permanent Establishment in the UK during 2012 with a London based sales office and employees. As a result of this change in focus, the Company has moved their tax residency to the UK with effect from 1 January 2013. Although the group made a taxable profit in 2021 of £104,948 the Parent Company had a taxable loss of £98,204 and the tax on the profits of the business in Mexico and the USA after group management charges resulted in a tax charge of £303,403 in 2021 (2020: £303,163).

	2021	2020
	£	£
UK Corporate tax charge on profit for the year (see below)	-	-
Tax on overseas operations	303,403	303,163
Total tax charge for the year	£303,403	£303,163

Factors affecting tax charge
The tax assessed for the year is lower than (2020: lower than) the standard rate of corporation tax in the UK of 19%. The differences are explained below:

	2021	2020
	£	£
Profit on ordinary activities before taxation	104,948	474,729
(Loss)/Profit multiplied by standard rate of corporation tax in the UK of 19 % (2020: 19%)	19,940	90,378
Effects of:		
Losses carried forward/(utilised)	(19,940)	(90,378)
Current UK tax charge for the year	£-	£ -

13. LOSS FOR THE FINANCIAL YEAR

The parent company has taken advantage of section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. Parent company loss for the year was £98,204 in 2021 (£104,978 in 2020).

14. TANGIBLE FIXED ASSETS

GROUP

	Leasehold improvements £	Office furniture and equipment £	Production equipment £	Computers and laboratory equipment £	Total £
Cost or valuation					
At 1 January 2021	82,344	85,999	1,470,650	60,855	1,699,848
Additions		10,850	69,466	4,477	84,792
Disposals		(18,876)	(18,115)	(1,126)	(38,116)
Exchange rate differences	66	(1,786)	5,114	(934)	2,461
At 31 December 2021	82,410	76,187	1,527,116	63,272	1,748,895
Depreciation					
At 1 January 2021	39,098	58,270	724,773	36,059	858,200
Charge for year	7,254	8,372	111,063	3,931	130,620
Disposals		(18,825)	(16,144)	(1,125)	(36,095)
Exchange rate differences	278	(1,974)	4,438	1,087	3,830
At 31 December 2021	46,630	45,844	824,129	39,952	956,555
Net Book Value					
At 31 December 2021	£35,780	£30,343	£702,986	£23,320	£792,430
At 31 December 2020	£43,246	£27,729	£745,877	£24,796	£841,648

15. INVESTMENTS

Company Name of undertaking	Country of registration	Proportion held by parent company	Nature of business
Greenkote (Israel) Ltd.	Israel (1)	100%	Research and development of diffusion coating technology for metals parts and production of diffusion coatings
Greenkote NA Holdings, Inc.	United States (2)	100%	Holding company for multiple industrial coating companies in North America
Subsidiaries of NA Holdings, Inc.			
Greenkote USA, Inc.	United States (2)	100%	Greenkote US coating services facility and Group headquarters
Greenkote IPC Mexico, Inc.	United States (2)	100%	Holding company for Mexican company
Industrial Powder Coatings de Mexico S.A. de C.V.	Mexico (3)	100%	Mexican coating services

(1) Registered address – Shemesh St. 35, Caesarea, 3079355, Israel
(2) Registered address – 2711 Centerville Rd, Suite 400, Wilmington, DE, 19808, USA
(3) Registered address – La Noria #104, Parque Industrial Queretaro, Santa Rosa Jauregui, Queretaro, Qro. CP 76220, Mexico

On 19 April 2005, the company purchased the entire issued share capital of Greenkote (Israel) Ltd by way of a share for share exchange. As stated in the accounting policies, this has been accounted for under Financial Reporting Standard 6, whereby merger accounting has been adopted as the basis of consolidation.

On 5 March 2007, the company purchased Greenkote NA Holdings, Inc., which has been accounted for under the acquisition method of accounting.

At 1 January 2021	£137,261
At 31 December 2021	£137,261

16. STOCK

	2021 £	2020 £
Group		
Raw materials and work in progress	£153,294	£128,273

Stock recognised in cost of sales during the year as an expense was £948,252 (2020: £1,212,453)

17. DEBTORS

	Group 2021 £	Company 2021 £	Group 2020 £	Company 2020 £
Amounts owed by group undertakings		2,900,190	-	2,788,192
Trade debtors	930,957		1,059,128	
Taxes	423,314		743,636	
Other debtors	71,782		25,506	
Prepayments and accrued income	73,810	691	93,507	8
	£1,499,863	£2,900,880	£1,921,777	£2,788,200

18. CREDITORS: amounts falling due within one year

	Group 2021 £	Company 2021 £	Group 2020 £	Company 2020 £
Amounts owed by group undertakings		930,110		663,843
Trade creditors	671,953	37,795	627,504	77,422
Working capital and equipment loans	29,532		139,379	
Other taxes and social security	195,257		142,479	
Accruals and deferred income	344,034	28,314	458,545	22,080
	£1,240,776	£996,219	£1,367,907	£763,345

19. CREDITORS: amounts falling due in more than one year

	Group 2021 £	Company 2021 £	Group 2020 £	Company 2020 £
Other creditors	1,901		1,819	
Equipment loan	31,398		55,355	
Accrued interest on loan notes (see note 4(k))	563,771	563,771	563,771	563,771
	597,070	£563,771	£620,945	£563,771

The Secured loan notes including interest of £563,771 (2020: £563,771) are repayable as follows:

	2021 £	2020 £
Within one year	-	-
Between one to two years	-	-
Between two to five years	-	-
More than five years	563,771	563,771
	£563,771	£563,771

20. CALLED UP SHARE CAPITAL

	2021	2020
	£	£
Allotted, called up and fully paid:		
29,295 class A shares of £1.00 each (2020: 29,285)	29,295	29,285
86,762,167 ordinary shares of £0.01 each (2020: 86,762,167)	867,622	867,622
11,388,162 deferred ordinary shares of £0.001 each (2020: 11,388,162)	11,388	11,388
	£908,295	£908,295

21. SHARE OPTIONS

The Company has the following share options in issue:

Name	Existing options	Exercise price	Expiry date
Victor Segal	2,842,798	£0.07	22 September 2023
Robert Hayim	2,842,798	£0.07	22 September 2023
Jaime Camacho	355,350	£0.07	22 September 2023
James Thomson	3,553,498	£0.07	22 September 2023
Mark Gore	3,553,498	£0.07	22 September 2023

Robert Hayim also holds 388,314 of Ordinary shares and 623,957 deferred shares which are convertible into Ordinary shares on payment of the difference between their nominal value and an amount authorised by the Directors.

22. SHARE PREMIUM AND RESERVES

Called-up share capital – represents the nominal value of shares that have been issued.

Share premium account – includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Merger reserve – represents the share capital and share premium in Greenkote (Israel) Ltd less the investment by Greenkote Plc in Greenkote (Israel) Ltd.

Profit and loss account – includes all current and prior period retained profits and losses.

23. OPERATING LEASE COMMITMENTS

At 31 December 2021, the group had total commitments including estimated inflation indexing under non-cancellable operating leases expiring as follows:

	Land and buildings	
	2021	2020
	£	£
Less one year	326,168	336,866
Between one to two years	343,995	349,266
Between two to five years	1,110,161	1,127,907
Over five years	4,084,528	4,526,283
	£5,864,851	£6,340,322

24. ULTIMATE CONTROLLING PARTY

The directors do not consider there to be an ultimate controlling party.

25. FINANCIAL INSTRUMENTS

The Group's financial instruments include cash and cash equivalents, trade debtors and trade creditors arising directly from the Group's operations, and loan notes issued in 2008 (see note 4(k)). Operations liquidity risk is financed when required by short term financing loans. The Group is exposed to liquidity risk on the financing loans, which are denominated in US dollars. There is no exposure to liquidity risk on the loan notes which are denominated in sterling.

The Group's and Company's financial instruments may be analysed as follows:

	2021	2020
	£	£
Financial assets measured at amortised cost		
Group	1,075,858	1,539,475
Company	1,971,115	2,125,144
Financial liabilities measured at amortised cost		
Group	1,612,398	1,702,900
Company	629,880	663,274

Financial assets measured at cost comprise cash and cash equivalents, trade debtors and other debtors.

Financial liabilities measured at cost comprise trade and other creditors, loan notes and financing loans.

26. CONTINGENT LIABILITIES

As described in note 4(e), there may be a claim for unpaid royalties to Britech through and after its dissolution.

The Company received participation from the State of Israel Office of the Chief Scientist in certain research and development expenses incurred by the Company at stipulated times. The agreements with the Chief Scientist require the Company to pay royalties of 3% - 4% of related Company sales of powder and 38% of sales of licenses derived from the research and development financed by the Chief Scientist, up to the amount of the grants given, linked to the exchange rate of the U.S. dollar and bearing interest according to the LIBOR rate. As of December 31, 2021 the net balance refundable to the Chief Scientist amounted to approximately $2.31 million, which is disclosed as a contingent liability in the accounts on the premise that royalties do not fall due until sales are derived.

27. LONG TERM INCENTIVE PLAN

In 2020 a long-term incentive plan (LTIP) was proposed by the Remuneration committee and approved by the Board to reward senior Executives and Directors for successfully achieving key business milestones, enhancing the value of the Company and creating value for a strong 'exit' result. The LTIP plan adds to the existing share options a cash award at the injection of new equity and/or an outright acquisition or change of control of the Company. The plan notes that successful injection of new equity will foster a stronger growth trajectory to shorten the timeline and enhance valuation for the ultimate 'exit'. A cash award payout pool will be established from the gross proceeds of a shareholder approved equity event based upon a table of percentages which increases the pool on the level of proceeds. As the probability and timing of an equity event cannot be currently estimated, no fair value is associated with the potential LTIP cash awards and therefore no charge to the accounts has been recognized.