

Keronite Group Limited

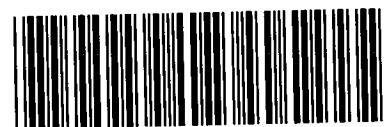
Financial Statements

Year Ended

31 December 2019

Company Number 05564452

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Keronite Group Limited

Registered number: 05564452

**Statement of Financial Position
As at 31 December 2019**

	Note	2019 £	2018 £
Fixed assets			
Investments	4	400,000	481,062
		<u>400,000</u>	<u>481,062</u>
Current assets			
Debtors: amounts falling due within one year	5	762	671
		<u>762</u>	<u>671</u>
Creditors: amounts falling due within one year	6	(21,912)	(21,821)
Net current liabilities		<u>(21,150)</u>	<u>(21,150)</u>
Total assets less current liabilities		<u>378,850</u>	<u>459,912</u>
Net assets		<u>378,850</u>	<u>459,912</u>
Capital and reserves			
Called up share capital		1,485,751	1,485,751
Share premium account	8	9,703,612	9,703,612
Capital redemption reserve	8	5,935,728	5,935,728
Profit and loss account	8	(16,746,241)	(16,665,179)
		<u>378,850</u>	<u>459,912</u>

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 by:



Matthew Hamblin
Director

Date: 20/3/20

The notes on pages 2 to 6 form part of these financial statements.

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Notes to the Financial Statements For the Year Ended 31 December 2019

1. General information

Keronite Group Limited is a private company, limited by shares, incorporated in England & Wales, United Kingdom, with a registration number 05564452. The registered office is at 1 Tudor Rose Court, 53 Hollands Road, Haverhill, Suffolk, CB9 8PJ.

The nature of the Company's operation and principal activity is that of a holding company.

The Company's functional and presentational currency is GBP (£).

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 judgement in applying the Company's accounting policies.

The Company has taken advantage of the exemption from preparing a statement of cash flows in accordance with FRS102 as it is a small entity.

The following principal accounting policies have been applied:

2.2 Exemption from preparing consolidated financial statements

The Company, and the Group headed by it, qualify as small as set out in section 383 of the Companies Act 2006 and the parent and Group are considered eligible for the exemption to prepare consolidated accounts.

2.3 Going concern

The Group began the year with success in continuing to increase sales revenues through continuing the conversion of the opportunity pipeline to create new repeat production business, particularly in the US. The business also opened its new dedicated Technical Centre at its UK site to further enhance its material science capabilities to develop advanced surface treatment solutions, and continued to make significant investment in people.

However from Q2 2019 the Group's US business was negatively impacted in two key markets. Firstly, there was a downturn in demand in the semi-conductor market and secondly, a project delay with major aerospace customer. Volumes in our semi-conductor market segment started to pick up in Q4 2019 and are forecast to continue to recover through 2020. The delayed aerospace project is expected to return to production in 2021.

All operating activity and capital investment was funded without requiring shareholder financial support during the year. Action has been taken to flex direct production resources with volume and to significantly reduce indirect staffing levels in the Group in 2020.

Future growth will come from continuing to applying material science solutions to develop robust and scalable manufacturing solutions to solve customer surface treatment problems. The business has an established opportunity pipeline in key market sectors such as Aerospace, Automotive and Oil & Gas and has available installed manufacturing capacity due to the major capital investment program completed in 2018.

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Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.3 Going concern (continued)

On 21 January 2020 the majority shareholder agreed to provide further support to the Group by making available a loan finance facility of up to £600k in order to fund working capital and capital expenditure in support of the Group's growth targets. Repayment of this facility is due on 31 December 2021 at a redemption premium of 125%.

The Board has considered the level of forecast sales growth for 2020 and beyond as part of the cash flow forecast and based on current plans is satisfied that the Group can meet its liabilities as they fall due for the foreseeable future, being a period of not less than 12 months from the date of approval of these financial statements. The Group has considered the funding requirements in relation to the loan facility above and are confident from discussions with the majority shareholder that any unredeemed loan will be rolled over to a new deadline. At the date of signing there has been no direct impact to the business from coronavirus. The Board will continue to review this changing situation and will act accordingly.

The forecast growth in revenue, the ongoing successful conversion of the order book for the twelve months from the date of signing these accounts and the financial support of the majority shareholder are the basis of the Board's adoption of the going concern basis of preparation.

2.4 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.5 Impairment on non-current assets

At each financial year end date, the Company reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of the individual asset, the Company estimates that recoverable amount of the cash-generating unit to which the asset belongs.

2.6 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.

2.7 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.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

2.8 Creditors

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

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Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.9 Taxation

Tax is recognised in the Statement of Comprehensive Income, 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 reporting date in the countries where the Company operates and generates income.

3. Employees

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

	2019 No.	2018 No.
Management	6	6

4. Fixed asset investments

	Investments in subsidiary companies £
Cost	
At 1 January 2019	481,062
At 31 December 2019	481,062
Impairment	
Change for the period	81,062
At 31 December 2019	81,062
Net book value	
At 31 December 2019	400,000

Following a review of the subsidiaries' financial position at 31 December 2019. The Directors are of the opinion that the Company's investment in its subsidiary company, Keronite International Limited, was impaired. The opinion was formed by the Directors' Going Concern review as per Note 2.3.

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Notes to the Financial Statements For the Year Ended 31 December 2019

5. Debtors

	2019 £	2018 £
Prepayments	762	671

6. Creditors: Amounts falling due within one year

	2019 £	2018 £
Amounts owed to group undertakings	11,212	10,571
Accruals	10,700	11,250
	<u>21,912</u>	<u>21,821</u>

Amounts due to group undertakings are repayable on demand.

7. Financial instruments

	2019 £	2018 £
Financial liabilities		
Financial liabilities measured at amortised cost	(21,912)	(21,821)

8. Reserves

Share premium account

This includes any premiums received on issue of share capital. Any transactions associated with the issuing of shares are deducted from share premium.

Capital redemption reserve

This represents the nominal value of shares that have been cancelled.

Profit and loss account

This includes all current and prior periods retained profits and losses.

9. Controlling party

The significant shareholder in Keronite Group Limited is Azini1LP, a Scottish Limited Partnership. The General Partner of Azini1LP is Azini 1 GP Limited, a Scottish Limited Company and the Fund Manager of Azini1LP is Azini Capital Partners LLP, an English Limited Liability Partnership.

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Notes to the Financial Statements For the Year Ended 31 December 2019

10. Auditors' information

The auditors' report on the financial statements for the year ended 31 December 2019 was unqualified.

The audit report was signed on 20 March 2020 by Benjamin Courts FCA (Senior Statutory Auditor) on behalf of BDO LLP.