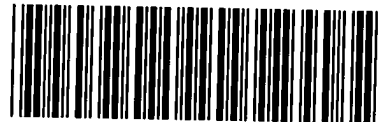

KERONITE GROUP LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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KERONITE GROUP LIMITED
REGISTERED NUMBER: 05564452

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	2017 £	2016 £
Fixed assets			
Investments	3	481,062	481,062
		<u>481,062</u>	<u>481,062</u>
Current assets			
Debtors: amounts falling due within one year	4	622	597
		<u>622</u>	<u>597</u>
Creditors: amounts falling due within one year	5	(21,772)	(21,747)
		<u>(21,772)</u>	<u>(21,747)</u>
Net current liabilities		<u>(21,150)</u>	<u>(21,150)</u>
Total assets less current liabilities		<u>459,912</u>	<u>459,912</u>
Net assets		<u>459,912</u>	<u>459,912</u>
Capital and reserves			
Called up share capital		1,485,751	1,485,751
Share premium account		9,703,612	9,703,612
Capital redemption reserve		5,935,728	5,935,728
Profit and loss account		(16,665,179)	(16,665,179)
		<u>459,912</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 on

28th March 2018



Matthew Hamblin
Director

The notes on pages 3 to 6 form part of these financial statements.

KERONITE GROUP LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2016	1,485,751	9,703,612	5,935,728	(16,665,179)	459,912
At 1 January 2017	1,485,751	9,703,612	5,935,728	(16,665,179)	459,912
At 31 December 2017	1,485,751	9,703,612	5,935,728	(16,665,179)	459,912

KERONITE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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 judgment in applying the Company's accounting policies.

The company has taken advantage of the exemption from preparing a statement of cash flows.

The following principal accounting policies have been applied:

2.2 Going concern

During 2017 the Group, of which the company is part of, was successful in significantly increasing sales revenues and managing the cost base whilst continuing to invest in capital equipment and in people to ensure that the business will continue to enjoy further growth in the years to come. 2017 sales revenues increased due to market growth through repeat production customers, from converting the opportunity pipeline to create new repeat production customers and also from equipment sales and license agreements. The increase in revenues from these sources coupled with cost management as well as a multi-year exclusivity agreement with the largest customer has resulted in the business having a substantial cash position at the year end and being in the best financial health since its inception.

Future growth for the Group will come from developing robust and scalable manufacturing solutions to solve customer surface treatment problems with an established opportunity pipeline in key market sectors such as Aerospace, Automotive and Industrial. A major investment program launched mid-2017 to both increase and upgrade the manufacturing facilities is due for completion by mid-2018. A new Technical Centre is now being planned to be opened during 2018 which will further enhance the material science capabilities to develop advanced surface treatment solutions. All investment can be funded from existing cash resources.

The Board has considered the level of forecast sales growth for 2018 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 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 strong cash reserves are the basis of the Board's adoption of the going concern basis of preparation.

KERONITE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. Accounting policies (continued)

2.3 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.4 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.

2.5 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors, trade and other creditors, facilities from banks and loans from third parties or related parties, and loans to related parties.

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.

2.6 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.

2.7 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.

2.8 Finance costs

Finance costs are charged to the Statement of Comprehensive Income 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.

KERONITE GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

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. Fixed asset investments

	Investments in subsidiary companies £
Cost	
At 1 January 2017	481,062
At 31 December 2017	<u>481,062</u>
Net book value	
At 31 December 2017	<u><u>481,062</u></u>

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Class of shares	Holding	Principal activity
Keronite International Limited	UK	Ordinary	100 %	Commercialisation of the Keronite process
Keronite Inc	US	Ordinary	100 %	Sales of services of the Keronite process in the US

The registered office of Keronite International Limited is 1 Tudor Rose Court, 53 Hollands Road, Haverhill, Suffolk CB9 8PJ, United Kingdom and that of Keronite Inc is 2121 Southtech Drive, Suite 220, Greenwood, Indiana IN 46143, USA.

KERONITE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

4. Debtors

	2017 £	2016 £
Prepayments and accrued income	622	597
	<u>622</u>	<u>597</u>

5. Creditors: Amounts falling due within one year

	2017 £	2016 £
Amounts owed to group undertakings	16,530	16,664
Accruals and deferred income	5,242	5,083
	<u>21,772</u>	<u>21,747</u>

Amounts due to group undertakings are repayable on demand.

6. Financial instruments

	2017 £	2016 £
Financial assets		
Financial liabilities measured at amortised cost	(21,772)	(21,747)
	<u>(21,772)</u>	<u>(21,747)</u>

7. 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.

8. Auditors' information

The full accounts of the company have been audited by Moore Stephens LLP. The auditor's report was unqualified and was signed by Benjamin Courts (Senior Statutory Auditor) for and on behalf of Moore Stephens LLP.