

Keronite Group Limited

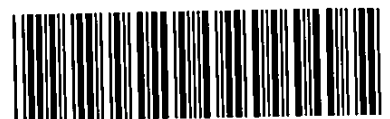
Financial Statements

Year Ended

31 December 2020

Company Number 05564452

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Keronite Group Limited

Company Information

Directors	Matthew Hamblin Paul Hill Robin Francis John Tilbrook
Registered number	05564452
Registered office	1 Tudor Rose Court 53 Hollands Road Haverhill Suffolk CB9 8PJ
Independent auditor	BDO LLP Statutory Auditor 55 Baker Street London W1U 7EU

Keronite Group Limited

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Keronite Group Limited

Registered number: 05564452

Statement of Financial Position As at 31 December 2020

	Note	2020 £	2020 £	2019 £	2019 £
Fixed assets					
Investments	4		400,000		400,000
Current assets					
Debtors: amounts falling due within one year	5	312,350		762	
		<u>312,350</u>		<u>762</u>	
Creditors: amounts falling due within one year	6	(708,500)		(21,912)	
Net current liabilities			(396,150)		(21,150)
Total assets less current liabilities			<u>3,850</u>		<u>378,850</u>
Net assets			<u>3,850</u>		<u>378,850</u>
Capital and reserves					
Called up share capital	7	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	(17,121,241)		(16,746,241)	
Total equity			<u>3,850</u>		<u>378,850</u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

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



18/05/2021

Matthew Hamblin
Director

The notes on pages 2 to 7 form part of these financial statements.

Keronite Group Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

1. General information

Keronite Group Limited is a private company limited by shares and incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the Company Information page and the nature of the company's operations and its principal activity is that of a holding company.

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 Section 1A of 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 Section 1A of 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 Section 1A of FRS 102 as it is a small entity.

The presentational and functional currency of these financial statements is GBP. Values are rounded to the nearest pound.

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's strategic direction remains to provide material science-based service solutions to customers directly from its own facilities in both the UK and the US. Strong customer interest continues to provide evidence that Keronite's leading technology, its breadth of applications and its appeal in an environment demanding lightweight materials is applicable to a variety of business sectors, markets and geographies.

Following a cyclical downturn in 2019, demand in its biggest market of semi-conductors picked up strongly and continued throughout 2020. Allied to management action taken during 2019 to reduce the US payroll commensurate with the reduction in activity and the implementation of a significant reduction in UK payroll from the start of 2020, the combination of higher revenues and a lower cost base has resulted in positive EBITDA from Q2 2020 onwards.

The group majority shareholder had agreed in January 2020 to provide further support 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. The group drew down £300k of this facility during Q1 2020. The group was able to access COVID-19 government support to mitigate against the financial impact of the pandemic. In addition to furloughing some UK staff during Q2 and Q3, the UK company was eligible for a £50k loan under the Bounceback Loan Scheme (BBSL). The US company was eligible for a loan of \$140k under the US Government Paycheck Protection Program (PPP) that is expected to be 100% forgiven under the scheme rules.

Keronite Group Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

2. Accounting policies (continued)

2.3 Going concern (continued)

Growth in 2021 and beyond 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 semi-conductor and has available installed manufacturing capacity due to the major capital investment program previously completed. The business maintains a significant technical function based at its dedicated Technical Centre at the UK site and intends to continue to claim appropriate R&D tax credit support as it furthers its material science capabilities to develop advanced surface treatment solutions.

The majority shareholder loan facility drawdown is due for repayment on 31 December 2021 at a redemption premium of 125%. The group's cashflow forecast indicates that there would be sufficient funds to meet this repayment but is confident from discussions with the majority shareholder that they will not elect for repayment without agreement and that any unredeemed loan will be rolled over and bear interest as specified in the loan note instrument.

The board has considered the level of forecast sales growth for 2021 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. All operating activity and capital investment is expected to be funded without requiring any further shareholder financial support.

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 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.

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Notes to the Financial Statements For the Year Ended 31 December 2020

2. Accounting policies (continued)

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.

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:

	2020 No.	2019 No.
Management	4	6

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Notes to the Financial Statements For the Year Ended 31 December 2020

4. Fixed asset investments

	Investments in subsidiary companies £
Cost	
At 1 January 2020	481,062
At 31 December 2020	481,062
Impairment	
At 1 January 2020	81,062
At 31 December 2020	81,062
Net book value	
At 31 December 2020	400,000
At 31 December 2019	400,000

5. Debtors: amounts falling due within one year

	2020 £	2019 £
Amounts owed by group undertakings	311,407	-
Prepayments	943	762
	312,350	762

Amounts owed by group undertakings are repayable on demand.

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Notes to the Financial Statements For the Year Ended 31 December 2020

6. Creditors: amounts falling due within one year

	2020 £	2019 £
Amounts owed to the shareholder	675,000	-
Amounts owed to group undertakings	-	11,212
Accruals	33,500	10,700
	<u>708,500</u>	<u>21,912</u>

Amounts owed to group undertakings are repayable on demand.

Amounts owed to the shareholder include an unsecured loan of £300,000 (2019 - £Nil) which is an interest free loan and repayable on 31 December 2021. The total amount also includes loan redemption premium of £375,000 which was charged into the statement of comprehensive income in the year, and it is repayable on 31 December 2021.

7. Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
21,167 ordinary shares of £10.00 each	211,670	211,670
84,667 B preferred shares of £10.00 each	846,670	846,670
42,741 C preferred shares of £10.00 each	427,410	427,410
110 E ordinary shares of £0.01 each	1	1
	<u>1,485,751</u>	<u>1,485,751</u>

All preferred shares rank pari passu with the ordinary shares except on distribution of capital.

During the year the E Ordinary Shares were redesignated as Ordinary shares on the basis of one Ordinary Share for each E Share held under the terms of the Articles of Association.

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Notes to the Financial Statements For the Year Ended 31 December 2020

8. Reserves

The company's capital and reserves are as follows:

Called up share capital

Called up share capital represents the nominal value of the shares issued.

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. Related party transactions

The company has taken advantage of the exemption available in Section 33.1A of FRS 102 whereby it has not disclosed transactions with any wholly owned subsidiary undertaking of the group.

During the year, the company paid directors' fees of £40,000 (2019 - £30,000) to its shareholder, Azini Capital Partners LLP. Included in accruals, an amount of £25,000 (2019 - £7,500) was due to its shareholder at 31 December 2020.

10. 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.

11. Auditor's information

The auditor's report on the financial statements for the year ended 31 December 2020 was unqualified.

The audit report was signed on 18/05/2021 by Benjamin Courts FCA (senior statutory auditor) on behalf of BDO LLP.