

Company Registration No. 04814350 (England and Wales)

P2I LTD
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2021



P2I LTD

COMPANY INFORMATION

Directors	S Brooke S Coulson B Landes A Lane P Malliris I Nolan A Rabindran C Saunders
Secretary	C Saunders
Company number	04814350
Registered office	127 North Milton Park Milton Abingdon Oxfordshire OX14 4SA
Auditor	RSM UK Audit LLP Chartered Accountants Davidson House Forbury Square Reading Berkshire RG1 3EU

P2I LTD

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present the strategic report for the year ended 31 December 2021.

Principal activities

The principal activity of the group and company during the year was the development, optimisation, licensing and deployment of patented super hydrophobic and oleophobic nano-coating technology solutions.

Background

Founded in 2004 as a spin-out from the UK Ministry of Defence, P2i Ltd ('P2i') is one of the lead innovators in the functional nano-coating (FNC) space. The group's nano-coating technology is protected by 19 patent families and 48 granted patents. P2i's revolutionary plasma process dramatically reduces the surface energy of a material, so that when liquids (such as water or oil) come into contact with it, they form beads and simply roll-off. The group has successfully commercialised this pioneering FNC in a diverse range of global markets.

Markets

As a global innovator in materials science, P2i has already successfully commercialised a complete, patented value chain in liquid and oil repellent nano-coatings and has proven them with ultra-high volume manufacturing in the consumer electronics, medical device, filtration and technical textiles (FTI), and defence industries.

Results and dividends for the year

The year ended 31 December 2021 was one of significant progress such that the group continues to be well positioned to take advantage of the growing market opportunities within the consumer electronics coating arena.

The key financial measures demonstrating the group's performance are:

	2021	2020	% change
Turnover (£'000)	17,507	14,707	19.0%
Gross Margin (%)	47.1%	58.9%	(11.8)%
EBITDA (£'000)	(5,662)	(3,628)	(56.1)%
Net Loss (£'000)	(8,284)	(7,705)	(14.0)%
Adjusted EBITDA (£'000)	(4,563)	(3,077)	(48.3)%

Adjusted EBITDA is defined by the group as earnings before interest, tax, depreciation, amortisation, and one-off exceptional restructuring costs. We use adjusted EBITDA, in conjunction with other GAAP and non-GAAP financial measures such as EBIT and net profit, to assess our operating performance. We believe that adjusted EBITDA is an operating performance measure, not a liquidity measure, as it includes non-cash changes in working capital and is reviewed by the Board to assess internal performance.

During the year the group went through a restructuring exercise. The fees, transactions and foreign exchange costs related to the restructure have been adjusted for when calculating adjusted EBITDA. The exceptional costs in the year totalled £1,099k (2020: £551k).

	2021 £'000	2020 £'000
Operating loss	(8,721)	(6,993)
Add back depreciation and amortisation	3,059	3,365
EBITDA	(5,662)	(3,628)
Restructuring costs	1,099	551
Adjusted EBITDA	(4,563)	(3,077)

P2I LTD

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

Following a challenging year in 2020, due to the impact on consumer electronics as a result of the Coronavirus, the group returned to revenue growth in 2021 which led to an increase in turnover to £17.5 million (2020: £14.7 million). During the year the group secured a significant new customer generating new revenues in the second half of 2021 further broadening the groups customer and product base. The new customer, along with the underlying existing customer base, positions the group well for significant growth into 2022.

On 16 June 2021, the company secured £5.5 million of additional funding through the issue of convertible loan notes with a Maturity Date of 31 December 2026. The loan notes convert at the earlier of a conversion event, as defined by the agreement but including an Equity Funding Round, or the Maturity Date.

On 30 November 2022 the company raised an additional £8m from Circularity Capital in exchange for 111,589,453 E Preference Shares in the company. This event triggered the conversion of the convertible loan notes issued earlier in the year. In accordance with the terms set out within the convertible loan note agreement 93,481,546 E Preference Share were issued to the relevant noteholders in full and final settlement of the £5.7m debt held prior to conversion.

Following the agreement of the Circularity Capital deal the company was able to renegotiate the Coronavirus Business Interruption Loan Scheme (CBILS) loan held with Clydesdale Bank to alter and extend the terms of the facility. The company agreed to enter into a renegotiated position by agreeing to repay the balance over nineteen equal instalments commencing 20 January 2022 and quarterly thereafter. The final repayment date for the facility is 20 October 2026.

The group continues to invest in Research & Development specifically around its next generation of products and to continuously improve the efficiency of existing product lines. P2i continues to lead the industry in its product offerings.

The trading results for the year and the group's consolidated financial position at the end of the year are shown in the attached financial statements. The Board continues to be satisfied with the group's performance.

The technology

P2i's technology works by applying a nanometre-thin polymer layer over the entire surface of a product. Using an ionized gas (plasma), this layer is molecularly bound to the surface and will not leach away. The process confers superior oil and water repellency by reducing the surface energy to ultra-low levels down to one third that of PTFE (polytetrafluoroethylene).

Research and development

The Group is continuing its policy of developing its surface enhancement technology and Intellectual Property portfolio to meet market requirements and researching new product initiatives that will contribute to the future expansion and diversification of the business.

Principal risks and uncertainties

The group uses various financial instruments. These include loans, cash, equity investments, preference shares and various items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the group's operations. The existence of these financial instruments exposes the group to a number of financial risks, which are described in more detail below.

Fluctuations in currency exchange rates

Approximately 99% of the group's turnover is invoiced in foreign currencies. Therefore, the group is exposed to foreign currency fluctuations. The group manages its foreign exchange exposure on a net basis, and if required uses forward foreign exchange contracts and other derivatives to reduce the exposure. If the hedging activity does not mitigate the exposure, then the results and the financial condition of the group may be adversely impacted by foreign currency fluctuations.

Financial risk management

The group's operations expose it to a variety of financial risks that include the effects of changes in credit risk, liquidity risk and interest rate risk. The group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the group by monitoring appropriate levels of debt and equity finance required to meet the working capital requirements of the business and the related finance costs thereof.

P2I LTD

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

Liquidity risk

The group actively maintains an appropriate level of liquidity through a suitable amount of cash in hand and agreed banking facilities.

Interest rate cash flow risk

The group has interest bearing assets. Interest bearing assets relate only to cash balances, all of which earn interest at a variable rate.

Credit risk

The group's principal financial assets are deposits, cash and trade debtors. The credit risk associated with the deposits and cash is limited as the counterparties have high credit ratings assigned by international credit-rating agencies and are regularly reviewed. The principal credit risk arises therefore from the group's trade debtors. In order to manage credit risk, the directors set limits for customers based on a combination of payment history and third-party credit references. Credit limits are reviewed by the Chief Financial Officer on a regular basis in conjunction with debt ageing and collection history.

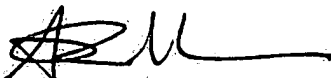
Coronavirus risk

The group continues to monitor impact of the ongoing Coronavirus outbreak, including any imposition of travel restrictions, border controls and quarantine protocols, that could lead to a pause in manufacturing and overall productivity in the Asia Pacific region and could lead to a temporary distortion in consumer demand across the global economy. The directors review and model downside scenarios as part of any risk mitigation plans, which are updated and presented to the Board on a regular basis.

Future outlook

The group expects a period of growth and is focussing on the continuous development of its technologies and commercial deployment of its next generation products to continue its world leadership in Functional Nano-Coatings for corrosion protection.

On behalf of the board



.....
A Rabindran
Director

Date: 13 May 2022

P2I LTD

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their annual report and financial statements for the year ended 31 December 2021.

Principal activities

The principal activity of the group during the year was the development, optimisation, licensing and deployment of patented super hydrophobic and oleophobic nano-coating technology solutions.

Results and dividends

The results for the year are set out on page 12.

No ordinary dividends were paid. The directors do not recommend payment of a further dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

S Brooke	
S Coulson	
B Landes	
A Lane	
P Malliris	
A Moores	Resigned 11 March 2022
N Young	Resigned 16 December 2021
I Nolan	Appointed 30 November 2021
A Rabindran	Appointed 24 March 2022
C Saunders	Appointed 10 September 2021

Qualifying third party indemnity provisions

The company, as permitted by s234 and s235 of the Companies Act 2006, maintains insurance cover on behalf of the directors indemnifying them against certain liabilities which may be incurred by them in relation to the company.

Auditor

The auditor, RSM UK Audit LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Strategic report

The group has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the group's Strategic Report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the Directors' Report. It has done so in respect of:

- an indication of financial risk management objectives and policies required by paragraph 6(1)(a);
- an indication of exposure to price risk, credit risk, liquidity risk and cash flow risk required by paragraph 6(1)(b);
- details of any events affecting the company and group since the reporting date as required by paragraph 7(1)(a);
- an indication of likely future developments in the business of the company and group required by paragraph 7(1)(b); and
- an indication of the activities of the group in the field of research and development required by paragraph 7(1)(c).

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

P2I LTD

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons. The directors have prepared a business plan for a period of 18 months from the date of approval of these financial statements which indicates that, taking account of reasonably possible downsides, the group will have sufficient funds to meet its liabilities as they fall due for that period.

On 16 June 2021, the company secured a £5.5 million of additional funding through the issue of convertible loan notes with a Maturity Date of 31 December 2026. The loan notes convert at the earlier of a conversion event, as defined by the agreement but including an Equity Funding Round, or the Maturity Date.

On 30 November 2022 the company raised an additional £8m from Circularity Capital in exchange for 111,589,453 E Preference Shares in the company. This event triggered the conversion of the convertible loan notes issued earlier in the year. In accordance with the terms set out within the convertible loan note agreement 93,481,546 E Preference Share were issued to the relevant noteholders in full and final settlement of the £5.7m debt held prior to conversion.

Following the agreement of the Circularity Capital deal the company was able to renegotiate the Coronavirus Business Interruption Loan Scheme (CBILS) loan held with Clydesdale Bank to alter and extend the terms of the facility. The company agreed to enter into a renegotiated position by agreeing to repay the balance over nineteen equal instalments commencing 20 January 2022 and quarterly thereafter. The final repayment date for the facility is 20 October 2026.

This funding, along with the renegotiation of the CBILS, secures and underpins the future capital expenditure forecasted in 2022 to facilitate the roll out of the next generation hardware and technologies and the working capital requirements of the business.

At 31 December 2021, the group statement of financial position had net current assets of £9.2 million (2020: £8.3 million) and net assets of £8.6 million (2020: £3.3 million). This included a cash balance of £7.1 million (2020: £6.1 million).

Taking the above into consideration, along with the group's sales pipeline, forecast profitability, cash flow from existing contracts, anticipated future growth and the group's current cash balance, the directors consider it appropriate to prepare the financial statements on the going concern basis.

On behalf of the board



.....
A Rabindran
Director

Date: 13 May 2022

P2I LTD

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

The directors are responsible for preparing the Strategic Report and 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF P2I LTD

Opinion

We have audited the financial statements of P2i Limited (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 statement of financial position, the company statement of financial position, the consolidated statement of changes in equity, the company statement of changes in equity, the consolidated statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 of the parent company's affairs as at 31 December 2021 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 company 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 or the parent company'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 other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF P2I LTD

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our 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 their 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 8, 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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses, and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF P2I LTD

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the group and parent company operates in and how the group and parent company are complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures, we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006 and tax regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures and reviewing tax computations and returns.

The audit engagement team identified the risk of management override of controls and revenue cut-off as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included, but were not limited to, testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business and testing a sample of transactions either side of the year end to ensure that revenue has been recognised in the correct accounting period.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://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.

Mayulee Pinkerton

Mayulee Pinkerton CA (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Davidson House
Forbury Square
Reading
RG1 3EU
13 May 2022

P2I LTD

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £	2020 £
Turnover	3	17,507,284	14,706,881
Cost of sales		<u>(9,266,246)</u>	<u>(6,039,023)</u>
Gross profit		8,241,038	8,667,858
Distribution costs		(6,781,963)	(4,844,014)
Administrative expenses		(10,181,370)	(10,936,211)
Other operating income		<u>1,633</u>	<u>118,728</u>
Operating loss	7	<u>(8,720,662)</u>	<u>(6,993,639)</u>
Interest receivable and similar income	9	898	764
Interest payable and similar expenses	10	(637,995)	(1,069,158)
Other gains and losses	11	<u>-</u>	<u>(72,437)</u>
Loss before taxation		<u>(9,357,759)</u>	<u>(8,134,470)</u>
Tax on loss	12	<u>1,073,983</u>	<u>429,191</u>
Loss for the financial year		<u>(8,283,776)</u>	<u>(7,705,279)</u>
Other comprehensive income			
Currency translation differences		<u>(194,266)</u>	<u>198,732</u>
Total comprehensive income for the year		<u>(8,478,042)</u>	<u>(7,506,547)</u>

Loss for the financial year is all attributable to the owners of the parent company.

Total comprehensive income for the year is all attributable to the owners of the parent company.

P2I LTD**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021**

	Notes	2021		2020	
		£	£	£	£
Fixed assets					
Intangible assets	13		1,934,765		566,087
Tangible assets	14		7,828,587		5,957,082
			<u>9,763,352</u>		<u>6,523,169</u>
Current assets					
Stocks	17	3,673,583		5,622,885	
Debtors	18	14,208,142		6,132,868	
Cash at bank and in hand		7,142,402		6,146,088	
			<u>25,024,127</u>		<u>17,901,841</u>
Creditors: amounts falling due within one year	19	(15,774,549)		(9,600,590)	
Net current assets			<u>9,249,578</u>		<u>8,301,251</u>
Total assets less current liabilities			<u>19,012,930</u>		<u>14,824,420</u>
Creditors: amounts falling due after more than one year	20		(10,447,369)		(11,500,000)
Net assets			<u>8,565,561</u>		<u>3,324,420</u>
Capital and reserves					
Called up share capital	23		5,121		4,792
Share premium account	24		33,608,418		19,889,564
Capital redemption reserve	24		1,505		1,505
Foreign exchange reserve	24		(630,535)		(436,269)
Profit and loss reserves	24		(24,418,948)		(16,135,172)
Total equity			<u>8,565,561</u>		<u>3,324,420</u>

The financial statements were approved by the board of directors and authorised for issue on 13 May 2022 and are signed on its behalf by:



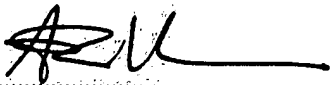
A Rabindran
Director

P2I LTD**COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021**

	Notes	2021		2020	
		£	£	£	£
Fixed assets					
Intangible assets	13		1,884,485		566,087
Tangible assets	14		2,837,767		4,100,196
Investments	15		416,941		416,941
			<u>5,139,193</u>		<u>5,083,224</u>
Current assets					
Stocks	17	1,555,901		3,964,695	
Debtors	18	6,019,865		5,227,690	
Cash at bank and in hand		7,019,609		5,983,337	
			<u>14,595,375</u>		<u>15,175,722</u>
Creditors: amounts falling due within one year	19	<u>(6,144,853)</u>		<u>(9,322,549)</u>	
Net current assets/(liabilities)			<u>8,450,522</u>		<u>5,853,173</u>
Total assets less current liabilities			<u>13,589,715</u>		<u>10,936,397</u>
Creditors: amounts falling due after more than one year	20		<u>(10,447,369)</u>		<u>(11,500,000)</u>
Net liabilities			<u>3,142,346</u>		<u>(563,603)</u>
Capital and reserves					
Called up share capital	23		5,121		4,792
Share premium account	24		33,608,418		19,889,564
Capital redemption reserve	24		1,505		1,505
Profit and loss reserves	24		<u>(30,472,698)</u>		<u>(20,459,464)</u>
Total equity			<u>3,142,346</u>		<u>(563,603)</u>

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes as it prepares group accounts. The company's loss for the year was £10,013,234 (2020 - £7,742,390 loss).

The financial statements were approved by the board of directors and authorised for issue on 13 May 2022 and are signed on its behalf by:



A Rabindran
Director

P2I LTD

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Notes	Share capital £	Share premium account £	Capital redemption reserve £	Foreign exchange reserve £	Profit and loss reserves £	Total £
Balance at 1 January 2020		4,278	9,608,068	1,305	(635,001)	(8,429,693)	548,957
Year ended 31 December 2020:							
Loss for the year		-	-	-	-	(7,705,279)	(7,705,279)
Other comprehensive income:							
Currency translation differences		-	-	-	-	198,732	198,732
Total comprehensive income for the year		-	-	-	-	(7,506,547)	(7,506,547)
Issue of share capital	23	53	-	-	-	-	53
Conversion of loan to shares	23	461	10,281,496	-	-	-	10,281,957
Redemption of Shares	24	-	-	200	-	(200)	-
Transfer to foreign exchange reserve		-	-	-	198,732	(198,732)	-
Balance at 31 December 2020		4,792	19,889,564	1,505	(436,269)	(16,135,172)	3,324,420
Year ended 31 December 2021:							
Loss for the year		-	-	-	-	(8,283,776)	(8,283,776)
Other comprehensive income:							
Currency translation differences		-	-	-	-	(194,266)	(194,266)
Total comprehensive income for the year		-	-	-	-	(8,478,042)	(8,478,042)
Issue of share capital	23	236	7,999,888	-	-	-	8,000,124
Conversion of loan to shares	23	93	5,718,966	-	-	-	5,719,059
Transfer to foreign exchange reserve		-	-	-	(194,266)	194,266	-
Balance at 31 December 2021		5,121	33,608,418	1,505	(630,535)	(24,418,948)	8,565,561

P2I LTD

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Notes	Share capital £	Share premium account £	Capital redemption reserve £	Profit and loss reserves £	Total £
Balance at 1 January 2020		4,278	9,608,068	1,305	(12,716,874)	(3,103,223)
Year ended 31 December 2020:						
Loss and total comprehensive income for the year		-	-	-	(7,742,390)	(7,742,390)
Issue of share capital	23	53	-	-	-	53
Conversion of loan to shares	23	461	10,281,496	-	-	10,281,957
Redemption of Shares	24	-	-	200	(200)	-
Balance at 31 December 2020		<u>4,792</u>	<u>19,889,564</u>	<u>1,505</u>	<u>(20,459,464)</u>	<u>(563,603)</u>
Year ended 31 December 2021:						
Loss and total comprehensive income for the year		-	-	-	(10,013,234)	(10,013,234)
Issue of share capital	23	236	7,999,888	-	-	8,000,124
Conversion of loan to shares	23	93	5,718,966	-	-	5,719,059
Balance at 31 December 2021		<u>5,121</u>	<u>33,608,418</u>	<u>1,505</u>	<u>(30,472,698)</u>	<u>3,142,346</u>

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CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £	£	2020 £	£
Cash flows from operating activities					
Cash absorbed by operations	25	(9,459,099)		(1,264,951)	
Interest paid		(637,995)		(443,951)	
Income taxes refunded		747,105		1,281,198	
Net cash (outflow)/inflow from operating activities		(9,349,989)		(427,704)	
Investing activities					
Purchase of intangible assets		(1,699,662)		(76,050)	
Purchase of tangible fixed assets		(4,309,704)		(5,513,340)	
Proceeds on disposal of tangible fixed assets		-		69,153	
Interest received		898		764	
Net cash used in investing		(6,008,468)		(5,519,473)	
Financing activities					
Proceeds from issue of shares		8,150,258		-	
Proceeds from borrowings		5,568,927		6,250,000	
Invoice discounting		2,630,834		(721,488)	
Net cash generated from/(used in) financing activities		16,350,019		5,528,512	
Net decrease in cash and cash		991,562		(418,665)	
Cash and cash equivalents at beginning of		6,146,088		6,433,083	
Effect of foreign exchange rates		4,752		131,670	
Cash and cash equivalents at end of		7,142,402		6,146,088	

P2I LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

Company information

P2i Ltd ("the company") is a private company limited by shares and is registered and incorporated in England and Wales. The registered office is 127 North Milton Park, Abingdon, Oxfordshire, OX14 4SA.

The group consists of P2i Ltd and all of its subsidiaries.

The company's and the group's principal activities and nature of its operations are disclosed in the Directors' Report.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £1.

The financial statements have been prepared under the historical cost convention, modified to include certain financial instruments at fair value. The principal accounting policies adopted are set out below.

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment' – Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

Basis of consolidation

The consolidated financial statements incorporate those of P2i Ltd and all of its subsidiaries (i.e. entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 31 December 2021. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

P2I LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies (Continued)

Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons. The directors have prepared a business plan for a period of 18 months from the date of approval of these financial statements which indicates that, taking account of reasonably possible downsides, the group will have sufficient funds to meet its liabilities as they fall due for that period.

On 16 June 2021, the company secured a £5.5 million of additional funding through the issue of convertible loan notes with a Maturity Date of 31 December 2026. The loan notes convert at the earlier of a conversion event, as defined by the agreement but including an Equity Funding Round, or the Maturity Date.

On 30 November 2022 the company raised an additional £8m from Circularity Capital in exchange for 111,589,453 E Preference Shares in the company. This event triggered the conversion of the convertible loan notes issued earlier in the year. In accordance with the terms set out within the convertible loan note agreement 93,481,546 E Preference Share were issued to the relevant noteholders in full and final settlement of the £5.7m debt held prior to conversion.

Following the agreement of the Circularity Capital deal the company was able to renegotiate the Coronavirus Business Interruption Loan Scheme (CBILS) loan held with Clydesdale Bank to alter and extend the terms of the facility. The company agreed to enter into a renegotiated position by agreeing to repay the balance over nineteen equal instalments commencing 20 January 2022 and quarterly thereafter. The final repayment date for the facility is 20 October 2026.

This funding, along with the renegotiation of the CBILS, secures and underpins the future capital expenditure forecasted in 2022 to facilitate the roll out of the next generation hardware and technologies and the working capital requirements of the business.

At 31 December 2021, the group statement of financial position had net current assets of £9.2 million (2020: £8.3 million) and net assets of £8.6 million (2020: £3.3 million). This included a cash balance of £7.1 million (2020: £6.1 million).

The directors considered the company's and group's business activities together with factors likely to affect its future development, performance and its financial position including: cash flows, liquidity position and the principal risks and uncertainties relating to its business activities, as discussed in the Strategic Report.

Taking the above into consideration, along with the group's sales pipeline, forecast profitability, cash flow from existing contracts, anticipated future growth and the group's current cash balance, the directors consider it appropriate to prepare the financial statements on the going concern basis.

Turnover

Turnover comprises revenue recognised by the group in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts.

Turnover comprises equipment sales, licence sales, royalties arising from the resulting processing of licensed products and service contracts.

Turnover in respect of multiple-element contracts is determined by apportioning fair value to the constituent elements.

Turnover from the sale of equipment is recognised upon the transfer of significant risks and rewards to the buyer. Where machine build crosses multiple periods of account and is deemed to be a long term contract, then turnover is recognised for the proportion of contract completed.

P2I LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies (Continued)

Turnover (Continued)

Turnover from royalties arising from licensing agreements is recognised as they are earned.

Turnover from service transactions is usually recognised as the service is performed. When performance consists of the execution of more than one act, turnover is recognised proportionately by reference to the performance of each act.

Turnover from fixed-term licence sales is recognised over the initial term of the licence.

Research and development expenditure

Expenditure on research is written off against profits in the year in which it is incurred. All material costs associated with the development of the next generation product are capitalised. As the product comes to market, these development costs will be amortised over 4 years.

Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is estimated to be seven years. Goodwill has no residual value.

Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software	25% straight line
Patents and licences	7 years straight line
Development costs	25% straight line

Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold improvements	Straight line over the term of the lease or the first the break clause if earlier
Plant and equipment	25% straight line
Fixtures and fittings	25% straight line
Computers	50% straight line

P2I LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies (Continued)

Tangible fixed assets (Continued)

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset and is credited or charged to profit or loss.

Fixed asset investments

In the separate financial statements of the company, interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible 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 asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents are basic financial instruments and include cash in hand and deposits held at call with banks.

P2I LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies (Continued)

Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other creditors, bank loans and amounts owed to fellow group undertakings, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

P2I LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies (Continued)

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the group's contractual obligations are discharged, cancelled, or they expire.

Compound instruments

The component parts of compound instruments issued by the group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity net of income tax effects and is not subsequently remeasured.

Equity instruments

Equity instruments issued by the group are recorded at the fair value of proceeds received, net of transaction costs.

Derivatives

The group enters into foreign exchange forward contracts in order to manage its exposure to foreign exchange risk.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

P2I LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies (Continued)

Deferred tax

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is recognised on income and expenses from subsidiaries that will be assessed to or allow for tax in a future period except where the group is able to control the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the group is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Retirement benefits

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using the Black-Scholes model. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity.

When the terms and conditions of equity-settled share-based payments at the time they were granted are subsequently modified, the fair value of the share-based payment under the original terms and conditions and under the modified terms and conditions are both determined at the date of the modification. Any excess of the modified fair value over the original fair value is recognised over the remaining vesting period in addition to the grant date fair value of the original share-based payment. The share-based payment expense is not adjusted if the modified fair value is less than the original fair value.

Cancellations or settlements (including those resulting from employee redundancies) are treated as an acceleration of vesting and the amount that would have been recognised over the remaining vesting period is recognised immediately.

Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease.

P2I LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies (Continued)

Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the group's presentational currency, Sterling, at foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations are translated at the rate for the month where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised in other comprehensive income.

2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Revenue recognition

Revenue is recognised to the extent it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. The determination of whether the revenue recognition criteria as specified under FRS 102 are met requires judgement. Where revenues are verified by third parties, revenues are accrued based on volume data. Differences are adjusted for upon receipt of third-party products.

3 Turnover and other revenue

Substantially all of the turnover of the group is derived from the sale of services but a detailed split of the nature of these services and the geographical split of the sales has not been provided on the basis that these disclosures would be prejudicial to the business.

	2021	2020
	£	£
Other revenue		
Interest income	898	764

P2I LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

4 Employees

The average monthly number of persons (including directors) employed during the year was:

	Group 2021 Number	2020 Number	Company 2021 Number	2020 Number
Sales and marketing	11	13	4	5
Technical and operations	189	152	77	77
Administrative staff	19	14	13	11
	<u>219</u>	<u>179</u>	<u>94</u>	<u>93</u>

Their aggregate remuneration comprised:

	Group 2021 £	2020 £	Company 2021 £	2020 £
Wages and salaries	8,301,504	6,715,583	4,602,096	4,749,671
Social security costs	452,895	494,423	439,675	472,021
Pension costs	215,356	232,393	208,525	210,078
	<u>8,969,755</u>	<u>7,442,399</u>	<u>5,250,296</u>	<u>5,431,770</u>

5 Directors' remuneration

	2021 £	2020 £
Remuneration for qualifying services	434,338	328,000
Company pension contributions to defined contribution schemes	22,157	19,419
Sums paid to third parties for directors' services	85,104	115,606
	<u>541,599</u>	<u>463,025</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2020 - 2).

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2021 £	2020 £
Remuneration for qualifying services	187,200	187,200
Company pension contributions to defined contribution schemes	10,577	10,255
	<u>197,777</u>	<u>197,455</u>

P2I LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

6 Share-based payment transactions

P2i Limited has issued share options under the following bases:

- Individual share option grants
- P2i Limited Employee Share Option Scheme
- P2i Limited 2009 Employee Share Option Scheme
- P2i Limited 2019 Share Option Plan

The options may not be exercised until the company is sold, lists on a stock exchange or is liquidated. The options are settled in equity once exercised. If the options remain unexercised after a period of ten years from the date of grant, the options expire. The vesting conditions are such that the directors consider the options to have a fair value of £nil on the date of grant.

Group and company	Number of share options		Weighted average exercise price	
	2021 Number	2020 Number	2021 £	2020 £
Outstanding at 1 January	81,483,191	84,495,771	0.12	0.12
Granted	-	-	-	-
Forfeited	(792,860)	(3,012,580)	0.14	0.13
Expired	(411,049)	-	0.10	-
Outstanding at 31 December	<u>80,279,282</u>	<u>81,483,191</u>	<u>0.14</u>	<u>0.12</u>
Exercisable at 31 December	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The options outstanding at 31 December 2021 had an exercise price ranging from £0.10 to £0.14, and a remaining contractual life of 1-9 years.

7 Operating loss

	2021 £	2020 £
Operating loss for the year is stated after charging/(crediting):		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	(829,601)	(929,330)
Research and development costs	204,899	345,939
Depreciation of owned tangible fixed assets	2,726,544	3,167,037
Amortisation of intangible assets	332,098	198,024
Loss on disposal of intangible assets	-	9,679
Operating lease charges	<u>687,626</u>	<u>660,501</u>

P2I LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

8 Auditor's remuneration		
	2021	2020
	£	£
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	56,500	51,000
Audit of the financial statements of the company's subsidiaries	3,250	1,500
	<u>59,750</u>	<u>52,500</u>
For other services		
All other non-audit services	-	14,000
	<u>-</u>	<u>14,000</u>
9 Interest receivable and similar income		
	2021	2020
	£	£
Interest income		
Interest on bank deposits	898	764
	<u>898</u>	<u>764</u>
10 Interest payable and similar expenses		
	2021	2020
	£	£
Interest on bank overdrafts and loans	487,863	625,207
Interest on convertible loan notes	150,132	443,951
	<u>637,995</u>	<u>1,069,158</u>
11 Other gains and losses		
	2021	2020
	£	£
Fair value gains/(losses) on financial instruments		
Change in value of financial assets held at fair value through profit or loss	-	(72,437)
	<u>-</u>	<u>(72,437)</u>
12 Taxation		
	2021	2020
	£	£
Current tax		
UK corporation tax on profits for the current period	(1,500,000)	(1,300,000)
Adjustments in respect of prior periods	99,767	(474)
	<u>(1,400,233)</u>	<u>(1,300,474)</u>
Total UK current tax		
Foreign current tax on profits for the current period	326,250	871,283
	<u>326,250</u>	<u>871,283</u>
Total current tax	<u>(1,073,983)</u>	<u>(429,191)</u>

P2I LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

12 Taxation (Continued)

The total tax credit for the year included in the income statement can be reconciled to the loss before tax multiplied by the standard rate of tax as follows:

	2021 £	2020 £
Loss before taxation	(9,357,759)	(8,134,470)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	(1,770,580)	(1,545,549)
Tax effect of expenses that are not deductible in determining taxable profit	238,767	65,632
Tax effect of income not taxable in determining taxable profit	(349,127)	(161,881)
Change in unrecognised deferred tax assets	1,276,098	908,703
Permanent capital allowances in excess of depreciation	(12,134)	25,898
Research and development tax credit	(930,285)	(988,000)
Other permanent differences	103,643	852,006
Effect of overseas tax rates	259,993	-
Surrender of tax losses for R&D tax credit refund	99,777	414,000
Adjustments to tax charge in respect of previous periods	9,865	-
Taxation credit	(1,073,983)	(429,191)

In March 2021 the Chancellor announced that the corporation tax rate would increase from 19% to 25% from 1 April 2023, this was substantively enacted at the reporting date and has been used to measure deferred tax.

The group has available £37,555,045 (2020: £29,738,025) of unrelieved UK tax losses available for offset against future taxable trading profits.

At the reporting date, the group has unrecognised deferred tax assets of £11,185,101 (2020: £7,224,579). No deferred tax asset has been recognised in respect of these temporary differences as the group considers that there will not be sufficient taxable profits in the entities concerned such that any additional asset could be considered recoverable at this time. These assets may be carried forward indefinitely.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

13 Intangible fixed assets

Group	Goodwill	Software	Patents and licences	Development costs	Total
	£	£	£	£	£
Cost					
At 1 January 2021	320,604	150,634	1,828,899	682,489	2,982,626
Additions	-	54,851	-	1,645,865	1,700,716
Disposals	-	-	-	-	-
At 31 December 2021	<u>320,604</u>	<u>205,485</u>	<u>1,828,899</u>	<u>2,328,354</u>	<u>4,683,342</u>
Amortisation and impairment					
At 1 January 2021	320,604	67,977	1,828,899	199,059	2,416,539
Amortisation charged for the year	-	40,245	-	291,793	332,038
Disposals	-	-	-	-	-
At 31 December 2021	<u>320,604</u>	<u>108,222</u>	<u>1,828,899</u>	<u>490,852</u>	<u>2,748,577</u>
Carrying amount					
At 31 December 2021	<u>-</u>	<u>97,263</u>	<u>-</u>	<u>1,837,502</u>	<u>1,934,765</u>
At 31 December 2020	<u>-</u>	<u>82,657</u>	<u>-</u>	<u>483,430</u>	<u>566,087</u>
Company					
		Software	Patents and licences	Development costs	Total
		£	£	£	£
Cost					
At 1 January 2021		150,634	1,628,899	682,489	2,462,022
Additions		-	-	1,645,865	1,645,865
Disposals		-	-	-	-
At 31 December 2021		<u>150,634</u>	<u>1,628,899</u>	<u>2,328,354</u>	<u>4,107,887</u>
Amortisation and impairment					
At 1 January 2021		67,977	1,628,899	199,059	1,895,935
Amortisation charged for the year		35,674	-	291,793	327,467
Disposals		-	-	-	-
At 31 December 2021		<u>103,651</u>	<u>1,628,899</u>	<u>490,852</u>	<u>2,223,402</u>
Carrying amount					
At 31 December 2021		<u>46,983</u>	<u>-</u>	<u>1,837,502</u>	<u>1,884,485</u>
At 31 December 2020		<u>82,657</u>	<u>-</u>	<u>483,430</u>	<u>566,087</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

13 Intangible fixed assets (Continued)

The patent portfolio includes all patents held by P2i Ltd and its group undertakings relating to the production of its functional nano-coating technology.

Development costs are the costs associated with the development of the next generation product. As the product comes to market, these development costs will be amortised over 4 years.

Amortisation is included within administrative expenses.

14 Tangible fixed assets

Group	Leasehold improvements	Plant and equipment	Fixtures and fittings	Computers	Total
	£	£	£	£	£
Cost					
At 1 January 2021	1,128,788	24,585,502	679,972	1,291,842	27,686,104
Additions	-	3,783,325	228,418	363,603	4,375,346
Disposals	-	(41,577)	-	-	(41,577)
Exchange adjustments	4,290	506,255	13,988	12,126	536,559
At 31 December 2021	1,133,078	28,833,505	922,378	1,667,571	32,556,532
Depreciation and impairment					
At 1 January 2021	867,798	19,138,254	568,045	1,154,925	21,729,022
Depreciation charged in the year	89,138	2,265,770	113,026	231,319	2,699,252
Eliminated in respect of disposals	-	(3,875)	-	-	(3,875)
Exchange adjustments	4,349	284,142	11,553	3,502	303,547
At 31 December 2021	961,284	21,684,290	692,624	1,389,746	24,727,945
Carrying amount					
At 31 December 2021	171,794	7,149,215	229,754	277,824	7,828,587
At 31 December 2020	200,990	5,447,248	111,927	136,917	5,957,082

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

14 Tangible fixed assets (Continued)

Company	Leasehold improvements	Plant and equipment	Fixtures and fittings	Computers	Total
	£	£	£	£	£
Cost					
At 1 January 2021	767,101	13,681,522	330,642	1,176,638	15,955,903
Additions	-	720,704	71,141	123,292	915,136
Disposals	-	(1,798,201)	-	-	(1,798,201)
At 31 December 2021	767,101	12,604,024	401,783	1,299,930	15,072,838
Depreciation and impairment					
At 1 January 2021	511,637	10,067,938	225,562	1,050,570	11,855,707
Depreciation charged in the year	83,670	1,555,375	98,803	179,358	1,917,206
Eliminated in respect of disposals	-	(1,537,843)	-	-	(1,537,843)
At 31 December 2021	595,307	10,085,470	324,365	1,229,928	12,235,070
Carrying amount					
At 31 December 2021	171,794	2,518,554	77,418	70,002	2,837,767
At 31 December 2020	255,464	3,613,584	105,080	126,068	4,100,196

15 Fixed asset investments

	Notes	Group 2021 £	2020 £	Company 2021 £	2020 £
Investments in subsidiaries	16	-	-	416,941	416,941

Movements in fixed asset investments

Company	Shares in group undertakings £
Cost or valuation	
At 1 January 2021 and 31 December 2021	540,761
Impairment	
At 1 January 2021 and 31 December 2021	123,820
Carrying amount	
At 31 December 2021	416,941
At 31 December 2020	416,941

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

16 Subsidiaries

Details of the company's subsidiaries at 31 December 2020 are as follows:

Name of undertaking	Address	Nature of business	Class of shares held	% Held	
				Direct	Indirect
P2i Processing Centres (North America) Inc	1	Support Services	Ordinary	100	-
Surface Innovations Limited	2	R&D	Ordinary	100	-
P2i Inc	3	Sales Agency	Ordinary	100	-
P2i (Hong Kong) Limited	4	Support Services	Ordinary	100	-
P2i LTD Taiwan RO	5	Support Services	Ordinary	100	-
P2i Technology (Shenzhen) Co Ltd	6	Support Services	Ordinary	-	100

Registered office addresses (all UK unless otherwise indicated):

- 1 P2i Processing Centres (North America) Inc., 33 Park of Commerce, Savannah, Georgia, 31405, USA
- 2 Surface Innovations Limited, 9-12 North Central, 127 Olympic Avenue, Milton Park, Oxfordshire, OX14 4SA, United Kingdom
- 3 P2i Inc., 33 Park of Commerce, Savannah, Georgia, 31405, USA
- 4 P2i (Hong Kong) Limited, Room 303, 3/F., St George's Building, 2 Ice House Street, Central, Hong Kong
- 5 P2i Ltd Taiwan RO, 4F. No. 218-2, Section 4, Zhongxiao E Rd, Da'an District, Taipei City, 106
- 6 P2i Technology (Shenzhen) Co Ltd, A Zone, 6 Floor, 7 Building, Yangbei Industrial Zone Phase III, Hengchangrong High New Technology Industrial Park, Huangtian Estate, Xixiang Block, Shenzhen, Guangdong, P.R. China 518128

P2i Technology (Shenzhen) Co Ltd is a 100% owned subsidiary of P2i (Hong Kong) Limited.

17 Stocks

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Raw materials and consumables	3,530,706	3,462,827	1,463,900	1,922,437
Work in progress	142,877	1,731,025	92,001	1,613,225
Finished goods and goods for resale	-	429,033	-	429,033
	<u>3,673,583</u>	<u>5,622,885</u>	<u>1,555,901</u>	<u>3,964,695</u>

During the year, the group recognised £14,501 (2020: £13,285) in cost of sales relating to the impairment of stock.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

18 Debtors

	Group 2021	2020	Company 2021	2020
Amounts falling due within one year:	£	£	£	£
Trade debtors	5,490,858	1,323,734	1,364,599	1,293,518
Corporation tax recoverable	1,500,000	1,300,000	1,500,000	1,300,000
Amounts owed by group undertakings	-	-	398,099	-
Derivative financial instruments	-	111,584	-	111,584
Other debtors	1,042,780	985,481	94,681	167,244
Prepayments and accrued income	6,174,504	2,412,069	2,662,486	2,355,344
	<u>14,208,142</u>	<u>6,132,868</u>	<u>6,019,865</u>	<u>5,227,690</u>

19 Creditors: amounts falling due within one year

	Group 2021	2020	Company 2021	2020
	£	£	£	£
Invoice discounting facility	3,676,882	1,027,187	759,504	1,027,187
Trade creditors	5,217,066	4,726,494	1,276,792	3,593,513
Accruals and deferred income	5,371,275	2,911,213	2,641,465	2,353,719
Amounts owed to group undertakings	-	-	-	1,422,048
Other taxation and social security	293,951	453,259	270,716	443,677
Short term loans	1,162,813	79,761	1,162,813	79,761
Other creditors	52,562	402,676	33,563	402,644
	<u>15,774,549</u>	<u>9,600,590</u>	<u>6,144,853</u>	<u>9,322,549</u>

Balances with Clydesdale Bank plc, including the invoice discounting facility, are secured by way of fixed and floating charges over all the property and assets of the company and group. The fixed charges include, but are not limited to, charges over certain intellectual property rights and patents as well as property owned by the company and its group.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

20 Creditors: amounts falling due after more than one year

	Group 2021 £	2020 £	Company 2021 £	2020 £
Other borrowings	10,447,369	11,500,000	10,447,369	11,500,000

On 2 December 2019, the company extended its £10 million credit facility for a further 3 years with Clydesdale bank. The agreement includes a £3.5 million confidential invoice discounting facility and a £6.5 million revolving credit facility. The facility was fully drawn at the 31 December 2021. The repayment date for this facility is 31 January 2023.

On 2 July 2020, the company secured a further £5 million credit facility with Clydesdale bank as part of the government backed Coronavirus Business Interruption Loan Scheme (CBILS), with repayments over the period to 20 July 2026. The facility was fully drawn at 31 December 2021, with £1.1m due in the next 12 months.

21 Financial instruments

	Group 2021 £	2020 £	Company 2021 £	2020 £
Carrying amount of financial assets				
Instruments measured at fair value through profit or loss	-	111,584	-	111,584

22 Retirement benefit schemes

	2021 £	2020 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	215,356	232,393

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

At the reporting date, unpaid contributions of £34,085 (2020: £37,578) remained payable to the scheme.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

23 Share capital

	Group and Company			
	2021	2020	2021	2020
Ordinary share capital	Number	Number	£	£
Issued and fully paid				
M Ordinary shares of £1 each	1,270	1,270	1,270	1,270
N Ordinary shares of £1 each	2,400	2,400	2,400	2,400
Ordinary shares of 0.0001p each	282,910,560	282,910,560	283	283
A Preference shares of 0.0001p each	369,214,922	329,656,184	369	330
B Preference shares of 0.0001p each	67,286,064	47,506,697	67	48
C Preference shares of 0.0001p each	460,944,981	460,944,981	461	461
D Preference shares of 0.0001p each	65,921,436	-	66	-
E Preference shares of 0.0001p each	205,070,999	-	205	-
	<u>1,451,352,632</u>	<u>1,121,022,092</u>	<u>5,121</u>	<u>4,792</u>

Each class of shares set out above are separate.

In accordance with the articles of the company, any M Ordinary shares held by a director or employee of the company who ceases to be either a director or employee shall immediately convert to deferred shares.

As per the company articles A Preference shareholders had the right to subscribe in cash, at the relevant nominal value (with no premium), for Preference shares on the record date. A total of 39,558,738 A preference shares and 19,779,367 B preference shares were subscribed for on 21 October 2021.

As per the company articles D Preference shareholders had the right to subscribe in cash, at the relevant nominal value (with no premium), for Preference shares on the record date. A total of 65,921,436 D preference shares were subscribed for on 21 October 2021.

As per the company articles on 30 November 2021 205,070,999 E Preference Shares were issued to the relevant loan note holders in full and final settlement of the £5.7 million debt and an additional investment of £8.0 million.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

24 Reserves

Share premium

Consideration received for shares issued above their nominal value net of transaction costs.

Capital redemption reserve

The capital redemption reserve represents the value of share capital historically redeemed out of distributable profits and is maintained in accordance with section 733 of the Companies Act 2006.

During the previous year, 200 Deferred shares were redeemed but there was no credit to the capital redemption reserve for these redeemed shares. This has been corrected in the current year given the immaterial size of the adjustment.

Foreign exchange reserve

Foreign exchange gains and losses on the retranslation of the results and net assets of the company's foreign subsidiaries.

Profit and loss reserves

Cumulative profit and loss net of distributions to owners.

25 Cash generated from group operations

	2021 £	2020 £
Loss for the year after tax	(8,283,775)	(7,705,279)
Adjustments for:		
Taxation credited	(1,073,983)	(429,191)
Finance costs	637,995	1,069,158
Investment income	(898)	(764)
Loss on disposal of intangible assets	27,293	9679
Amortisation and impairment of intangible assets	332,098	198,024
Depreciation and impairment of tangible fixed assets	2,699,251	3,167,037
Foreign exchange gains on cash equivalents	(879,676)	(194,776)
Movements in working capital:		
Decrease/(increase)/ in stocks	2,054,309	(1,617,803)
(Increase)/decrease in debtors	(7,716,643)	814,139
Increase in creditors	2,744,929	3,424,825
Cash absorbed by operations	(9,459,099)	(1,264,951)

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

26 Analysis of changes in net debt - group

	1 January 2021	Cash flows	Exchange rate movements	31 December 2021
	£	£	£	£
Cash at bank and in hand	6,146,088	991,560	4,753	7,142,401
Borrowings excluding overdrafts	(11,500,000)	-	-	(11,500,000)
	<u>(5,353,912)</u>	<u>991,560</u>	<u>4,753</u>	<u>(4,357,599)</u>

27 Operating lease commitments

Lessee

At the reporting end date the group and company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group 2021	2020	Company 2021	2020
	£	£	£	£
Within one year	667,371	734,634	562,991	602,989
Between one and five years	609,907	1,343,425	609,907	1,256,227
	<u>1,277,278</u>	<u>2,078,059</u>	<u>1,172,898</u>	<u>1,859,216</u>

28 Events after the reporting date

No events have occurred after the reporting date requiring disclosure under FRS102.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

29 Related party transactions

Remuneration of key management personnel

Key management personnel are deemed to be the Board of directors. Please refer to note 5 for details of the directors remuneration for the year.

Transactions with related parties

During the year the group entered into the following transactions with related parties:

	Rent payments		Director fees and travel expenses	
	2021 £	2020 £	2021 £	2020 £
Group				
Corporate shareholders	-	-	64,340	173,395
Key management personnel	-	52,570	-	-
	<u>-</u>	<u>52,570</u>	<u>-</u>	<u>-</u>

The following amounts were outstanding at the reporting end date:

Amounts due to related parties	2021	2020
	£	£
Group		
Corporate shareholders	7,600	43,958
	<u>7,600</u>	<u>43,958</u>