Bakelite UK TopCo Ltd.

Consolidated and Company Financial Statements
For the year ended 31 December 2022

Registered Number: 12936558

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STRATEGIC REPORT

The Directors present their Strategic Report for the year ended 31 December 2022.

Bakelite UK TopCo Ltd. ("Bakelite Synthetics" or the "Company") is a Private Limited Company having its legal seat in the United Kingdom. The address of the registered office of the Company is Sully Moors Road, Sully, Penarth, Wales, CF64 5YU. The registered number of the Company is 12936558. The Company was incorporated under the Companies Act 2006 as a private company, the Company is limited by shares, and registered in England and Wales. The Company was formed on 7 October 2020 with the express purpose of entering into an acquisition of Hexion Inc.'s Phenolic Specialty Resins, Hexamine and European based Forest Products Resins businesses (collectively, the 'PSR Business'). The Company did not have any substantive operating activities until the acquisition of the PSR Business on 30 April 2021. The shares of Bakelite UK TopCo Ltd. are held and managed by Black Diamond Capital Management. LLC and Investindustrial Investment Holdings S.a.r.l.

The consolidated and company financial statements are presented in United States Dollar, which is the Company's functional and presentational currency.

The Group of which the Company is the parent is a leading producer of Phenol, Urea & Melamine resins, Aromatic Polyols, Molding Compounds and Formaldehyde based thermosetting resins and formalin solutions & Derivatives. The wide range of phenolic, urea and melamine resins add strength, durability and fire resistance to countless materials in the Building, Construction and Transportation sector, several Industrial applications, Chemical intermediates and Specialties. Resonance™ aromatic polyols are building blocks that improve fire resistance, insulation performance and production efficiency of PUR and PIR foams. The engineered thermosets are used across a number of industries including building materials, automotive, industrial, electronics and more. The Group offers a robust portfolio of formaldehyde and derivative products as well as the ability to tailor grades to specialised needs.

The Group develops tailor made solutions to help customers meet their sustainability goals. The products are widely used to turn renewable raw materials such as wood into highly engineered products and facilitate the transition towards a carbon neutral economy by providing technical solutions for the energy conservation in Building and Construction and in the Transport sector.

The Group's production and distribution operations are located in Barry, United Kingdom; Cowie, United Kingdom; Lantaron, Spain, Botlek, Netherlands; Iserlohn, Germany; Frielendorf, Germany; Solbiate, Italy; Kitee, Finland; Louisville, Kentucky; Acme, North Carolina; and in Russia through the Group's 50% ownership interest in Bakelite Schekinoazot Holding B.V. (the "Russia JV"), a joint venture that manufactures forest products resins.

Through the acquisition of Georgia-Pacific's Phenolics Chemicals Business referred to below, the Company acquired the following operating facilities: North America (Conway, North Carolina; Columbus, Ohio; Beaver Creek, Michigan; Taylorsville, Mississippi, Crossett, Arkansas; Lufkin, Texas; Albany, Oregon and Eugene, Oregon), two operating facilities in South America (Concepcion, Chile and Concordia, Argentina) and a research and development center in Atlanta, Georgia.

Acquisition of Georgia-Pacific's Chemicals Business
On 27 May 2022, the Company entered into an acquisition via an equity purchase agreement acquiring Georgia-Pacific's Chemicals Business from Georgia-Pacific, (the "seller") in exchange for the purchase price. The acquisition-date fair value of the consideration transferred totaled $418,720,000 in cash, including a closing working capital settlement of $2,960,000 that was received from the seller in January 2023.

The purchase price was funded by additional equity funding of $138,000,000 into the Company by Black Diamond Capital Management, LLC and Investindustrial Investment Holdings S.a.r.l. and proceeds from borrowings under an Initial Term loan of $485,000,000. These funds were also used to pay off the existing debt. The acquisition of

Georgia-Pacific's Chemicals Business was accounted for as a business combination using the purchase accounting method. The purchase price was allocated to the assets acquired and liabilities assumed based on the estimated fair value at the date of acquisition.

Review of the business
The income statement reported an operating loss of $33,048,000 (2021 $25,035,000) This was mainly due to the acquisition related costs of $20,835,000 (2021: $23,163,000) and the start up cost of $13,232,000 (2021: $10,639,000). Global markets have significant headwinds that have entered into recessionary conditions. The Group was faced with inflationary pressure and market softness in the Industrial and Automotive segments. The Group has actively increased sales prices for contract and non-contract customers. The demand in the Building & Construction segment softened globally. The share of the Formaldehyde & Hexamine business increased in 2022, mainly due to the acquisition of Georgia Pacific. The demand in the Industrial and Applications and Transportation segment were still below pre-Covid levels. The Chemical Intermediates segment was impacted by softening in the Formaldehyde demand and reduced imports into Asia Pacific due to the strong USD.

The markets remained strong, but volumes continued to show some softness due to supply disruptions at customers for other raw materials with the automotive and foundry segments impacted the most We were faced with significant macroeconomic inflation (utilities, gas, carbon, etc.), particularly in Europe. The demand in the market showed some softening in December due to the uncertainties in the EU and North America markets.

In the building materials segment the furniture, cabinet and flooring manufacturers have returned to full production rates. The repair and remodeling trend is strong. EU regulations have supported investments to improve energy efficiencies in housing. The Group has also seen increased interest rates to reduce the inflation.
The Industrial Application segment showed recoveries by sub-segment from the COVID-19 disruptions. The steel market is still lagging due to the capacity constraints, but recovery continues. The Transportation segment showed supply chain disruptions muting the higher than expected demand and refilling of channel supply chain. We have seen minimal market impact from COVID-19 in the Chemical Intermediates segment. The demand for methylene diphenyl diisocyanate remained strong in the EU. The specialty demand for electronics improved.

We recognise that effective risk management is essential to the successful delivery of the Group's strategy. As we continue to grow our business we believe it is important to develop and enhance our risk management processes and control environment on an ongoing basis and ensure it remains fit for purpose. We continue to mature our approach to identifying and managing risks across the Group in a consistent and robust manner.

Below we describe our risk management approach, the principal risks and uncertainties faced by the Group and the controls in place to manage them.

Risk management and control
Management have overall responsibility for the internal controls system and its effectiveness, which is reported to the Board of Directors on a regular basis. The Group's internal controls system is designed to manage rather than eliminate the risk of failure to achieve its objectives and the system can therefore only provide reasonable assurance against any material misstatement or loss of Group assets. The Group's internal controls system aims to ensure all its activities are operated in a controlled manner to safeguard the assets and comply with all its policies and procedures and legislation.

The Executive Board members also conduct a strategic risk identification and assessment exercise to identify risks, including those that could impact the business model, future performance, solvency or liquidity. This risk information is combined with a consolidated view of the business area risks. The Board has the overall accountability for ensuring that risk is effectively managed across the Group and therefore ensuring that it is comfortable with the nature and extent of the principal risks faced in achieving its strategic objectives.

Principal risks and uncertainties
Set out below are the principal and emerging risks which we believe could materially affect the Group's ability to achieve its financial and operating objectives and control or mitigating activities adopted to manage them. The risks are not listed in order of significance.

Political risk
The economic and business environment has changed dramatically in Europe as a result of Russia's invasion of Ukraine. Financial markets and supply chain networks have all been impacted by new regulations. These developments continue to evolve rapidly requiring constant monitoring to enable us to act quickly.

From a supply chain and commercial perspective, the Group is in regular contact with suppliers and customers to proactively address any challenges that arise. As trading regulations are updated, we are vigilant in complying with all international and domestic requirements. The Group is firmly committed to a culture of compliance.

Due to the current climate of uncertainty, many companies are reviewing their business relationship with Russian entities. The Group has a long and successful history with group partners in Russia that the Group fully expects to continue. Going forward, the Group will continue to gather information and review the guidance from governments and regulatory agencies to ensure the Group takes action that support associates, customers and key stakeholders.

Supply chain continuity
The Group relies on long-term agreements with key suppliers for most of its raw materials. The loss of a key source of supply or a delay in shipments could have an adverse effect on its business. Should any of the suppliers fail to deliver or should any of the key long-term supply contracts be cancelled, the Group would be forced to purchase raw materials at current market prices.

The Group maintains a close dialogue with key suppliers and closely monitors its inventory status and customer demand to ensure that any problems with the supply chain can be managed, and back up sources of supply are maintained where possible.

Credit risk
Financial instruments that potentially subject the Group to concentrations of credit risk are primarily accounts receivable. Concentrations of credit risk for accounts receivable are limited due to the large number of customers in the Group's customer base and their dispersion across many different industries and geographies. The Group generally does not require collateral or other security to support customer receivables.

Intellectual property risk
The Group develops new products in its research and development facilities. The ability to compete effectively with other companies depends on its ability to protect its intellectual property. This is done by maintaining patents to provide protection for the Group's intellectual property rights against third parties and to exploit its products. The absence of any such patents may have a material adverse effect on the Group's ability to develop its business. The Group mitigates this risk by developing products where legal advice indicates patent protection would be available, seeking patent protection for the Group's products.

Foreign exchange risk
The Group and Company's presentational currency is the US dollar although the Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily between GBP, CLP, ARS, USD and the Euro, such that the Group's cash flows are affected by fluctuations in the rate of exchange between USD and the aforementioned foreign currencies. Fluctuations in exchange rates between the Group's functional currency of the US Dollar and the currency of the overseas operations could adversely impact the financial results. In most cases the Group matches the currency receipts and expenditure of the overseas operations.

The Company acquired a subsidiary in Argentina through the acquisition of Georgia-Pacific's Phenolics chemical business. During 2018, Argentina became a high inflationary economy. As of the acquisition date 27 May 2022, the functional currency of its Argentinian operations is the US Dollar ("USD") instead of the Argentine Peso ("ARS"). The resulting foreign exchange loss from remeasuring the monetary assets and liabilities denominated in ARS to USD reported in the accompanying Consolidated Statements of Income was $2 848,000 for the year ended 31 December 2022.

Market risk
Market risk arises from the Group's use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

Interest rate risk
The Group is exposed to cash flow interest rate risk from long-term borrowings at variable rate. It is currently group policy that group borrowings (excluding short-term overdraft facilities and lease liabilities) are fixed rate borrowings. This policy is managed centrally. Although the board accepts that this policy neither protects the Group entirely from the risk of paying rates in excess of current market rates nor eliminates fully cash flow risk associated with variability in interest payments, it considers that it achieves an appropriate balance of exposure to these risks.

Liquidity risk
Cash flow forecasting is performed in the individual operating entities of the Group and is aggregated by Group finance. Group finance monitors cash and cash flow forecasts and it is the Group and Company's liquidity risk management policy to maintain sufficient cash and available funding through an adequate amount of cash and cash equivalents and committed credit facilities from its bankers. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping sufficient cash and cash equivalents available to fund the requirements of the Group and Company.

Financial reporting and disclosure
The Group is required to report accurate financial information in compliance with accounting standards and applicable legislation. This risk is mitigated through the Group's internal controls over the financial information and reporting, overseen by the local financial heads and then reviewed by the central finance team, including the Chief Financial Officer. The annual financial statements are also subject to audit by the Group's external auditors.

Cyber security risk
The Group has locations all over the world. To facilitate the activities between locations the group uses computer systems in its operations. The Group is therefore exposed to attacks through hacking, phishing or other methods. This risk is mitigated by the use of security measures, staff training, and back-up systems. Formal procedures are in place where necessary. The Group also has specific insurance cover.

Review of strategy and business model
The strategy of Bakelite Synthetics is to create exceptional value for customers, to operate in a safe, sustainable and responsible manner for associates and communities, delivering outstanding returns for investors. The Group follows this strategy using the following vision:

- We look for opportunities to incorporate renewable raw materials.
  We strive to reduce the use of raw materials that may restrict the recycling of our customers products.
- We strive to work with local suppliers wherever possible
- We have sites that are certified to ISO 9001, 14001, 45001 and 50001 standards; we continue to push for the same at all sites.
- Many of our downstream partners are certifying to cutting edge certification programs.

The Board of Directors reviews the Group's financial performance by comparing to the budget which it establishes at the beginning of each financial year. Our products are sold through our network of sales manager and sales representatives. We manufacture all of our products. We have production facilities in the USA, the UK, Germany, the Netherlands, Spain, Italy, Finland and Russia through our joint venture partner. Through the acquisition of Georgia-Pacific's Phenolics Chemicals Business the Company acquired the following operating facilities North America

(Conway, North Carolina, Columbus, Ohio, Beaver Creek, Michigan; Taylorsville, Mississippi; Crossett, Arkansas, Lufkin, Texas; Albany, Oregon and Eugene, Oregon), two operating facilities in South America (Concepcion, Chile and Concordia, Argentina) and a research and development center in Atlanta, Georgia.

Future outlook
The start of 2023 has been positive with EBITDA exceeding budget and prior year driven by synergies. The decrease in volumes which we have seen in December can take significantly different directions depending on United States and European economies The Group also needs to overcome volatility in Raw materials & Utilities and recessionary market conditions in Europe and North America. This is done by continuous cost and pricing action to stay ahead of market slowdown. The Group plans to create value by executing on the integration and synergies through exiting the transactional service agreement with Georgia Pacific The synergies that come out of this is named *ONE*Bakelite.

Key Performance Indicators (KPIs)
The key financial performance indicators currently used across the Group are volumes, revenue, gross profit, adjusted EBITDA, net working capital and net financial position.

Volumes (mT)
Volumes have decreased compared to the budget with 14% to 1,114,000 mT. Compared to last period volumes have decreased with 10%. This was mainly caused by a decrease in orders in December Customers started to destock their inventory causing lower orders for the Group.

Revenue
The Group reported a revenue of $1,285,226,000 (2021: $516,114,000) over the year. The increase was mainly related to the revenue that the acquisition of Georgia Pacific contributed to the Group which was $491,417,000.

Gross profit
The gross profit which is defined as the revenue less the cost of sales was $151,072,000 (2021: $61,857,000).

Adjusted EBITDA
The Group defines adjusted EBITDA as the earnings before interest tax, depreciation and amortisation adjusted by one off items such as acquisition costs. Adjusted EBITDA as reported was $60,502,000 (2021. $30,648,000) which was above budget.

The following table shows the reconciliation of adjusted EBITDA:

	2022	2021
	$'000	$'000
Adjusted EBITDA		
Operating loss	(33,048)	(25,035)
Adjusted items		
Depreciation and amortisation	54,360	18,143
Acquisition related expenses	20,835	23,163
Start-up costs associated with the set-up of Bakelite Synthetics	13,232	10,639
Restructuring expenses	5,123	3,738
Adjusted EBITDA	**60,502**	**30,648**

Net assets were $212,053,000 at 31 December 2022 (2021. $130,236,000).

Net working capital
Net working capital is defined as current assets less current liabilities. At 31 December 2022, the Group reported a net working capital of $143.835.000 (2021 $60.862,000) The Group has sufficient funds to cover its short term liabilities.

Net financial position
Net financial position is defined as the sum of current and non-current bank borrowings, short. medium and long-term borrowings net of cash and cash equivalents held in hand and at the bank. At 31 December 2022 the Group reported a net financial position of $484,708,000 payable (2021: $159,573,000).

The key non-financial performance indicators are the Environmental Health and Safety metrics.

Severe Incident Factor (SIF)
We monitor our environmental health and safety through a management system. One of the key performance indicators is serious injury and fatality (SIF). In the year under review we recorded 1 SIF incidents (2021 1).

Recordable Incidents (OIIR)
Our occupational injury and illness rate (OIIR) was 0.46 (2021: 0.22). OIIR is calculated by dividing the number of recordable injuries and/or illnesses with the total numbers of hours worked by all employees.

Process Safety Incidents-Tier 1
The process safety events of greatest consequence indicate multiple barrier or protection layer system weaknesses. In 2022 we had 2 incidents (2021: 0).

Process Safety Incidents-Tier 2
The count of Tier 2 process safety incidents represents events of lesser consequence. In 2022 we had 4 incidents (2021: 7)

Permit Exceedances
The number of air and waste permit exceedances were 4 in 2022 (2021: 1).

Environment
We are committed to environmental health and safety excellence throughout our worldwide operations as a means of living up to our social responsibilities and building the value of our businesses. We pledge to work in a sustainable manner toward the vision of no accidents or injuries and ptimizing impact to our environment.

The Group is committed to providing a safe and secure workplace. We believe that safety is everyone's responsibility. Everyone is expected to immediately report incidents, injuries and unsafe conditions. The goal is simple, we want everyone to go home the same way they came to work.

The Group understands its responsibility to act as a good steward to our environment and the communities in which we operate. We strive to conserve our natural resources and assure safe handling of hazardous materials by reducing their use where practical. The Group works to meet or exceed environmental laws and regulations and we consider the Environmental, health and safety (EH&S) risks associated with new acquisitions, products and operations. We are committed to the principles of Responsible Care®. We embrace product stewardship by providing our distributors and customers with information necessary.

Mutual respect
The Group believes in the creation of a respectful and friendly work environment. We hold ourselves to a higher professional standard and treat one another with dignity and respect. We embrace and respect our associates' different backgrounds, cultures, experiences and opinions. We believe our diversity makes us more competitive and stronger in the global marketplace. We are an Equal Opportunity, Affirmative Action employer. We never make employment decisions based on a person's gender, minority status, sexual orientation, gender identity, protected veteran status, status as a qualified individual with a disability or any characteristic protected by law. We make an affirmative effort to consider candidates that are reflective of today's workforce. We make hiring and promotional decisions based on qualifications and performance.

We believes all associates have the right to expect a workplace free from discrimination, harassment, bullying or abrasive behaviour. Harassment can be described as any unwelcome behaviour that creates an intimidating, hostile or offensive work environment. This includes sexual harassment or behaviour that consists of unwelcome sexual advances, request for sexual favours or other verbal, written, emotional or physical actions of a sexual nature towards another associate. We do not tolerate harassment of our associates of any kind. Associates are encouraged to speak out and report any behaviour that makes them uncomfortable or that they believe is inconsistent with our Mutual Respect Policy. We do not tolerate retaliation against those who report concerns in good faith. For more information about our commitment to a work place free of unlawful retaliation, go to Bakelite Synthetics' Non-Retaliation Policy.

Respecting human rights
Respect for fundamental human rights is at the core of our operational philosophy. Any form of forced or involuntary labour, including child labour, slavery or human trafficking by the Group is not acceptable or permitted. In addition, The Group expects third parties acting on our behalf to comply with applicable (labour) laws and demonstrate respect for human rights.

Section 172 Statement
The Directors are required by the Companies Act 2006 to act in the way they consider, in good faith, would be most likely to promote success of the Group for the benefit of its shareholders as a whole and in doing so are required to have regard for the following:
- the likely long term consequences of any decision;
- the interests of the Group's employees;
- the need to foster the Group's business relationships with suppliers, customers and others;
- the impact of the Group's operations on the community and the environment;
- the desirability of the Group maintaining a reputation for high standards of business conduct; and the need to act fairly as between shareholders of the Group.

Ethics and Integrity are core values at Bakelite Synthetics. This means that we do the right thing; we say what we *mean and we do what we say. We are our word. To live these core values,* we have developed a comprehensive compliance program that supports and enhances our business. The cornerstone of our program is Bakelite Synthetics' Code of Conduct ("CoC"). This compliance program describes the desire of the Group to carry out its business in accordance with the highest ethical standards.

The Group has in place a controls framework to ensure the proper functioning of the CoC. This is overseen by the Audit Committee.

Stakeholders
The Board considers its major stakeholders to be its employees, its suppliers, customers, community and shareholders. When making decisions, the interests of these stakeholders is considered informally as part of the Board's group discussions.

Employees
The Board has a good relationship with the Group's employees. The Board maintains constructive dialogue with employees through the Executive Directors. Appropriate remuneration and incentive schemes including bonuses and commissions are maintained to align employees' objectives with those of the Group. The Group regularly discusses progress both locally and at group level with employees in "town hall" style meetings, allowing opportunities to exchange views and for employees to have a say. The Group has an open, flexible, and entrepreneurial culture which has allowed the Group to be flexible and responsive to customer needs. The Board monitors, assesses, and promotes the Group's corporate culture through discussions with management and employees and through the use of appropriate measures.

Disabled employees
The Group supports applications for employment by disabled persons. Considering the specific aptitudes of the applicant, the Group has the policy to provide training and support career developments in line with that of other employees.

Suppliers
The Board ensures that the Group endeavours to maintain good relationships with its suppliers by contracting on reasonable business terms and paying them promptly, within agreed terms. We meet with our significant suppliers regularly and where required audit their activities to ensure that materials are delivered effectively in a timely and cost efficient manner. We frequently offer longer term contracts to provide stability to their business in return for cost savings. These principles ensure that the Group's and our significant suppliers' interests are aligned.

Customers
The Executive Directors meet major customers regularly and encourage a dialogue with them and with the Regional Sales Management team as appropriate. The Board receives regular reports on progress with customer relationships to ensure that their decision making takes into account the needs of our customer base. Key Performance Indicators are used internally to ensure we are responding to customer needs.

Community
The Board believes that the Group has an impact on the communities and environments within which it operates. The Board ptimizing that the Group has a duty to be a good corporate ptimiz and is conscious that its business processes ptimizi harm to the environment, and that it contributes as far as is practicable to the local communities in which it operates.

Shareholders
The Group has two shareholders, Black Diamond Capital Management, LLC and Investindustrial Investment Holdings S.a.r.l. The Board has a dialogue with the Executive Chairman, appointed by the Shareholders. Periodically the Board has meetings with the Shareholders to discuss the Group's activities, strategy and future prospects.

The Board ptimizing the importance of maintaining high standards of business conduct. The Group operates appropriate policies on business ethics and provides mechanisms for whistle blowing and complaints. The Board has established the following policies this year that details the way we operate: Acceptable use policy, Anti-bribery policy, Antitrust and competition policy, Conflict of interest policy, Gifts and entertainment policy, Insider trading policy, Mutual respect policy, Non-retaliation policy.

Principal decisions taken by the Board during the year
During the year, the Board has taken the following principal decisions

- Approval Shareholders Agreement and New Articles
- Approval subscription for new ordinary shares related to the funding for Georgia Pacific acquisition.
- Approval of directors changes (resignation of Federico Fasciolo and appointment of Jeff Feinberg).
- Approval of resignation of director (Federico Fasciolo).
- Approval of consent to act as director by Jeff Feinberg.
- Adoption of the annual accounts.

The Strategic Report was approved by the Board on 22 September 2023 and signed on its behalf by:

Russell C Taylor
Russell C Taylor (Sep 25, 2023 04:35 EDT)

Russell Taylor
Approved by the Board of Directors on 22 September 2023.

Registered office. Sully Moors Road, Sully, Penarth, Wales, CF64 5YU.

DIRECTORS' REPORT

The Directors have pleasure in presenting this report together with the audited consolidated and company financial statements of Bakelite UK TopCo Ltd. For the year from 1 January 2022 to 31 December 2022.

Dividends
There were no dividend distributions during the year

Political donations
There were no political donations during the year.

Financial Instruments and Risk Management
Financial risk Management is discussed in note 34 and in the Strategic report

Events after the statement of financial position date
Events after the statement of financial position date are described in note 33 and in the Strategic report.

Directors of the Company
The directors of the Company who were in office during the year and up to the date of signing the financial statements were.

Name	Country of residence	Appointed/resigned
Roberto Ardagna	United Kingdom	Appointed 30 April 2021
Jeff Mitchell Feinberg	United States	Appointed 23 May 2022
Peter Frank	United States	Appointed 11 December 2020
Valentina Petrillo	United Kingdom	Appointed 30 April 2021
Ritesh Rajnikant Tanna	United States	Appointed 11 December 2020
Russell Taylor	United States	Appointed 30 April 2021
Federico Andrea Fasciolo	Switzerland	Appointed 7 October 2020, resigned 23 May 2022
John Stokes Gaither	United States	Appointed 21 March 2023

Going Concern
These financial statements have been prepared based on the going concern assumption. The Company has evaluated internal budgets and financial results which show, taking into account reasonably plausible changes in financial performance, that the Group and Company will be able to operate within the level of its current funding arrangements for the foreseeable future, being a period of at least 12 months from the date of approval of these financial statements.

Disclosure of Information to the Auditors
The directors who held office at the date of approval of these Consolidated and Company financial statements confirm that so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all steps that ought to have been taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent Auditors
PricewaterhouseCoopers LLP were re-appointed as independent auditors during the course of the year.

Streamlined Energy and Carbon Report ("SECR")
On 1 April 2019, the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 came into force. This covers all sources of the Company's greenhouse gas (GHG) emissions in accordance with the requirements of these regulations. The methodology for calculating GHG emissions is based on the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard developed by the World Resources Institute and World Business Council for Sustainable Development. All conversion factors have been sourced from ptimizing public sources, including the UK's Department for business, energy and industrial strategy, the International Energy Agency and the GHG protocol's stationary combustion tool.

Energy consumption used to calculate emissions (kWh):

	2022	2021
Electricity (kWh)	13,033,906	9,705,884
Natural Gas (kWh)	10,119,183	8,731,842
Transport (diesel)	130,564	77,493
Transport (petrol)	18,430	2,968
Total	**23,302,083**	**18,518,187**
Production (Te)	**134,833**	**104,806**

Emissions in resin tonnes CO_2e:

	2022	2021
Scope 1 (All other fuels)	1,884	1,619
Scope 2 (Electricity)	2,520	2,061
Total gross tonnes CO_2e	**4,404**	**3,680**
Gross tonnes CO_2e per tonne production	**0.033**	**0.035**

The above figures relate to the UK based operations of the Group that are covered by the Regulations.

Sustainability
The Group is committed to "Responsible Care" as part of the Group's ongoing strategy. The Group's climate change policy states

Bakelite Synthetics strives to protect against climate change throughout the business lifecycle by efficiently using natural resources, ptimizing existing processes and enhancing products and technologies through continuous innovation. This focus increases stakeholder value by improving the use of resources, reducing greenhouse gas emissions engaging our employees, decreasing operating costs and supporting our customers' sustainability goals.

The solutions required by our valued customers and the world in which we live increasingly call for new products that have more sustainable attributes. In response, the Group is continually focused on creating enabling technologies that make everyday life more sustainable.

For the Group, sustainability represents our commitment to being good stewards for our people and the planet through innovative products and processes. As part of this commitment, the Group is continually developing comprehensive global Environmental Health & Safety standards and initiatives that are designed to maintain our safe operations and protect our environment. We have a strong history of driving improvements in our use of energy.

Statement of Directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the consolidated and company financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and the company financial statements in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. The UK-adopted International Accounting Standards have been consistently applied throughout all years presented, unless otherwise stated.

Under company law, 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 year. In preparing the financial statements, the directors are required to

- Select suitable accounting policies and then apply them consistently;
- State whether applicable UK-adopted International Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Make judgements and accounting estimates that are reasonable and prudent, and
- 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 safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also 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.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Company has entered into deeds of indemnity for the benefit of each Director of the Company in respect of liabilities to which they may become liable in their capacity as Director of the Company and of any Company in the Group. Those indemnities are qualifying third party indemnity provisions for the purposes of Section 234 of the Companies Act 2006 and have been in force during the whole of the financial year and up to the date of approval of the financial statements.

The Report of the Directors was approved by the Board on 22 September 2023 and signed on its behalf by

Russell C Taylor
Russell C Taylor (Sep 25, 2023 04:36 EDT)

Russell Taylor
Approved by the Board of Directors on 22 September 2023.

Registered office: Sully Moors Road, Sully, Penarth, Wales, CF64 5YU

Independent auditors' report to the members of Bakelite UK TopCo Ltd.

Report on the audit of the financial statements

Opinion

In our opinion, Bakelite UK TopCo Ltd.'s group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2022 and of the group's loss and the group's and company's cash flows for the year then ended,
- have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Consolidated and Company Financial Statements (the "Annual Report"), which comprise: Consolidated and Company Statements of Financial Position as at 31 December 2022, Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated and Company Cash Flow Statements for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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 and the 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.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and *Directors' Report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in* accordance with applicable legal requirements

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 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 company or to cease operations, or have no realistic alternative but to do so.

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

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

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to employment regulation (including health and safety legislation) and environmental protection law, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as tax legislation and the UK Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries designed to manipulate the financial results and potential management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Enquiry with management and consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Review of minutes of meetings of those charged with governance;
- Challenging assumptions and judgements made by management in their significant accounting estimates;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Jonathan Bound (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff
25 September 2023

CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

Group	Note	Year ended 31 December 2022		Period from 7 October 2020 to 31 December 2021	
		$'000	$000	$'000	$000
Revenue	3	1,285,226		516,114	
Cost of sales of goods	4	(1,134,154)		(454,257)	
Gross profit			**151,072**		**61,857**
Distribution costs	4	(50,369)		(16,580)	
Sales, general and administrative expenses	4	(107,207)		(47,827)	
Acquisition related expenses	6	(20,835)		(23,163)	
Other income	5	3,328		3,424	
Other expense	5	(9,037)		(2,746)	
Operating loss	**4**		**(33,048)**		**(25,035)**
Non-operating income			5,275		-
Finance income	10		118		4
Finance costs	10		(34,782)		(9,515)
Share of net profit of associates and joint ventures accounted for using the equity method	18		4,674		2,483
Loss before income tax			**(57,763)**		**(32,063)**
Income tax expense	11		1,546		(1,665)
Loss for the year/period			**(56,217)**		**(33,728)**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Group	Year ended 31 December 2022	Period from 7 October 2020 to 31 December 2021
	$'000	$'000
Loss for the year/period	(56,217)	(33,728)
Other Comprehensive (loss)/income		
Items that may be reclassified to profit or loss		
Currency translation adjustments net of tax	(9,126)	(7,767)
Items that will not be reclassified to profit or loss		
Remeasurement of post-employment obligations net of tax	7,870	3,331
Other comprehensive income (loss) for the year/period	(1,256)	(4,436)
Total comprehensive loss for the year/period	**(57,473)**	**(38,164)**

CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION

Assets	**Note**	**31 December 2022**		**31 December 2021**	
		Group	**Company**	**Group**	**Company**
		$000	$000	$000	$000
Non-current assets					
Property, plant and equipment	13	447,570	-	252,931	-
Right-of-use assets	14	12,012	-	6,275	-
Intangible assets	15	135,714	-	32,066	-
Deferred tax assets	24	19,897	-	10,592	-
Other assets	16	7,608	-	8,209	-
Investments in subsidiaries	17	-	305,900	-	167,900
Investments accounted for using the equity method	18	11,508	-	7,123	-
Total non-current assets		**634,309**	**305,900**	**317,196**	**167,900**
Current assets					
Inventories	19	134,754	-	74,216	-
Other current assets	20	39,093	1,799	17,162	495
Trade receivables	21	136,448	-	98,151	-
Cash and cash equivalents	22	16,787	-	12,847	4
Total current assets		**327,082**	**1,799**	**202,376**	**499**
Total assets		**961,391**	**307,699**	**519,572**	**168,399**

Liabilities	**Note**	**31 December 2022**		**31 December 2021**	
		Group	**Company**	**Group**	**Company**
		$000	$000	$000	$000
Non-current liabilities					
Interest bearing loans	23	496,645	-	170,818	-
Lease liabilities	14	8,212	-	4,440	-
Deferred tax liabilities	24	36,565	-	24,751	-
Employee benefit obligations	25	21,592	-	34,142	-
Provisions	26	3,077	-	13,671	-
Total non-current liabilities		**566,091**	**-**	**247,822**	**-**
Current liabilities					
Trade and other payables	27	123,967	-	104,212	-
Other current liabilities	28	35,668	-	14,721	8
Current tax liabilities		890	-	1,996	1
Interest bearing loans	23	4,850	-	1,602	-
Lease liabilities	14	3,903	-	1,789	-
Employee benefit obligations	25	12,317	-	13,157	-
Provisions	26	1,652	-	4,037	-
Total current liabilities		**183,247**	**-**	**141,514**	**9**
Total liabilities		**749,338**	**-**	**389,336**	**9**
Net assets		**212,053**	**307,699**	**130,236**	**168,390**

CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION (continued)

Equity	**Note**	**31 December 2022**		**31 December 2021**	
		Group	**Company**	**Group**	**Company**
		$000	$000	$000	$000
Share capital and share premium	29	306,400	306,400	168,400	168,400
Other reserves		1,290	1,290	-	-
Other comprehensive loss		(5,692)	(53)	(4,436)	(12)
(Accumulated losses)/retained earnings		(89,945)	62	(33,728)	2
Equity		**212,053**	**307,699**	**130,236**	**168,390**
Total equity		**212,053**	**307,699**	**130,236**	**168,390**

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the Parent Company Income Statement. The profit of the Parent Company for the year was $62,000 (2021: $2,000).

The financial statements on pages 17 to 79 were approved and authorized for issue by the Board of Directors on 22 September 2023 and signed on its behalf by:

Russell C Taylor
Russell C Taylor (Sep 25, 2023 [illegible])

Russell Taylor
Chairman
Bakelite UK TopCo Ltd.
Registered no: 12936558

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Group	Note	Share capital	Share premium	Other reserves	Other comprehensive loss	Accumulated losses	Total
		$'000	$'000	$'000	$'000	$'000	$'000
On incorporation		-	-	-	-	-	-
Issuance of share capital	29	1,958	166,442	-	-	-	168,400
Net loss for the period		-	-	-	-	(33,728)	(33,728)
Other comprehensive loss		-	-	-	(4,436)	-	(4,436)
Balance as at 31 December 2021		**1,958**	**166,442**	**-**	**(4,436)**	**(33,728)**	**130,236**
Issuance of share capital	29	1,540	136,460	-	-	-	138,000
Stock-based compensation expense		-	-	1,290	-	-	1,290
Net loss for the year		-	-	-	-	(56,217)	(56,217)
Other comprehensive loss		-	-	-	(1,256)	-	(1,256)
Balance as at 31 December 2022		**3,498**	**302,902**	**1,290**	**(5,692)**	**(89,945)**	**212,053**

COMPANY STATEMENT OF CHANGES IN EQUITY

Company	Note	Share capital	Share premium	Other reserves	Other comprehensive loss	Retained earnings	Total
		$'000	$'000	$'000	$'000	$'000	$'000
On incorporation		-	-	-	-	-	-
Issuance of share capital	29	1,958	166,442	-	-	-	168,400
Net profit for the period		-	-	-	-	2	2
Other comprehensive loss		-	-	-	(12)	-	(12)
Balance as at 31 December 2021		**1,958**	**166,442**	**-**	**(12)**	**2**	**168,390**
Issuance of share capital	29	1,540	136,460	-	-	-	138,000
Stock-based compensation expense		-	-	1,290	-	-	1,290
Net profit for the year		-	-	-	-	60	60
Other comprehensive loss		-	-	-	(41)	-	(41)
Balance as at 31 December 2022		**3,498**	**302,902**	**1,290**	**(53)**	**62**	**307,699**

CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS

	Note	Year ended 31 December 2022		Period from 7 October 2020 to 31 December 2021	
		Group	Company	Group	Company
		$'000	$'000	$'000	$'000
Cash flows from operating activities					
Cash generated from/(used in) operations	31	26 993	(4)	(2,225)	(1)
Interest paid	10	(26,395)	-	(8,441)	-
Income taxes payable		(3,863)	-	(1,979)	-
Net cash outflow from operating activities		**(3,265)**	**(4)**	**(12,645)**	**(1)**
Cash flows from investing activities					
Cash paid for the acquisition, net of cash acquired	12	(420,152)	(138,000)	(303,172)	(168,395)
Purchases of property, plant and equipment	13	(29,748)	-	(15,622)	-
Purchases of right-of-use assets		-	-	-	-
Proceeds from sale of assets		-	-	903	-
Net cash outflow from investing activities		**(449,900)**	**(138,000)**	**(317,891)**	**(168,395)**
Cash flows from financing activities					
Borrowing of long-term debt	23	485,000	-	165,000	-
Cost of issuing debt	23	(20,050)	-	(8,103)	-
Borrowing of revolving credit agreement	23	235,274	-	85,986	-
Repayments of revolving credit agreement	23	(215,738)	-	(66,162)	-
Repayments of long-term debt		(159,161)	-	(807)	-
Proceeds from issue of share capital	29	138,000	138,000	168,400	168,400
Repayment of principal elements of lease payments		(3,568)	-	(1,323)	-
Net cash inflow from financing activities		**459,757**	**138,000**	**342,981**	**168,400**
Net increase/(decrease) in cash and cash equivalents		**6,592**	**(4)**	**12,455**	**4**
Cash and cash equivalents at the beginning of the financial year/period		12,847	4	-	-
Effect of exchange rate changes on cash and cash equivalents		(2,652)	-	392	-
Cash and cash equivalents at the end of the financial year/period		**16,787**	**-**	**12,847**	**4**

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Bakelite UK TopCo Ltd. ("Bakelite Synthetics" or the "Company") is a Private Limited Company having its legal seat in the United Kingdom. The Company was incorporated under the Companies Act 2006 as a private company, the Company is limited by shares, and registered in England and Wales. The Company was formed on October 7, 2020 with the express purpose of entering into an acquisition of Hexion Inc.'s Phenolic Specialty Resins, Hexamine and European based Forest Products Resins businesses (collectively, the 'PSR Business'). The Company did not have any substantive operating activities until the acquisition of the PSR Business on 30 April 2021. The Shares of Bakelite UK TopCo Ltd are held and managed by Black Diamond Capital Management, LLC and Investindustrial Investment Holdings S.a.r.l. The address of the registered office of the Company is Sully Moors Road, Sully, Penarth, Wales, CF64 5YU. The registered number of the Company is 12936558.

The Company is a leading producer of Phenol, Urea & Melamine resins, Aromatic Polyols, Molding Compounds and Formaldehyde & Derivatives. The wide range of phenolic, urea and melamine resins add strength, durability and fire resistance to countless materials in the Building, Construction and Transportation sector, several Industrial applications, Chemical intermediates and Specialties Resonance™ aromatic polyols are building blocks that improve fire resistance, insulation performance and production efficiency of PUR and PIR foams. The engineered thermosets are used across a number of industries including building materials, automotive, industrial, electronics and more. The Company offers a robust portfolio of formaldehyde and derivative products as well as the ability to tailor grades to specialised needs.

The Company develops tailor made solutions to help customers meet their sustainability goals. The products are widely used to turn renewable raw materials such as wood into highly engineered products and facilitate the transition towards a carbon neutral economy by providing technical solutions for the energy conservation in Building and Construction and in the Transport sector.

The Company's production and distribution operations are located in Barry, United Kingdom; Cowie, United Kingdom, Lantaron, Spain; Botlek, Netherlands; Iserlohn, Germany; Frielendorf, Germany, Solbiate, Italy; Kitee, Finland; Louisville, Kentucky; Acme, North Carolina; and in Russia through the Company's 50% ownership interest in Hexion Schekinoazot Holding B.V. (the "Russia JV"), a joint venture that manufactures forest products resins.

Through the acquisition of Georgia-Pacific's Phenolics Chemicals Business (refer to note 12), the Company acquired the following operating facilities North America (Conway, North Carolina, Columbus, Ohio; Beaver Creek, Michigan, Taylorsville, Mississippi, Crossett, Arkansas, Lufkin, Texas; Albany, Oregon and Eugene, Oregon), two operating facilities in South America (Concepcion, Chile and Concordia, Argentina) and a research and development center in Atlanta, Georgia.

The financial statements of the Company are presented in the United States Dollar the currency of the primary economic environment in which the Company's headquarters is operated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated and company financial statements are set out below. The policies have been consistently applied throughout all years presented, unless otherwise stated.

Basis of preparation
The financial statements of the Group and Company have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. The consolidated and company financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial liabilities at fair value through the income.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated and company financial statements are environmental remediation liabilities, legal liabilities, contingent consideration, deferred tax assets and liabilities, income tax accruals, pension and post retirement assets and liabilities, general insurance liabilities, estimated useful lives of long-lived assets and asset impairments.

New standards, interpretations and amendments
The following amendments are effective for the year beginning 1 January 2022:
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16),
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

The following amendments are effective for the year beginning 1 January 2023 and have not been early adopted:
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8), and
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

The Group does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the group.

Critical accounting estimates and judgements
The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

2. SUMMARY OF SIGNIFICANT ACCOUNING POLICIES (continued)

Impairment of goodwill and other intangible assets and recoverability of investments in subsidiaries
The Group holds goodwill and other intangible assets arising on acquisitions and the Company holds investments in subsidiaries in the respective statements of financial position. The carrying values are tested annually for whether they have suffered any impairment, in accordance with the accounting policy. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates and key assumptions. Refer to note 15. Intangible assets, for further details of the key assumptions included in the impairment models.

Acquisition accounting and valuation of identified intangible assets
Accounting for the acquisition of the PSR and Georgia Pacific Business requires a number of accounting estimates including the amount of deferred contingent consideration requires the use of estimates of future earnings. In addition a purchase price analysis has been carried out in order to identify and value intangible assets making up part of the assets acquired. These calculations require assumptions regarding future revenues and earnings. Refer to note 12. Business Combination, for further details of the key assumptions.

Valuation of the defined benefit pension obligation
The Group sponsors defined benefit pension plans in Germany and Italy in which certain employees of the Group participate. The valuation of the pension obligations are based on a number of assumptions that are significant. Refer to note 25. Employee benefit obligations, for further details of the key assumptions included in the actuarial models.

Going concern
These financial statements have been prepared based on the going concern assumption. The Company has evaluated internal budgets and financial results which show, taking into account reasonably plausible changes in financial performance, that the Group and Company will be able to operate within the level of its current funding arrangements for the foreseeable future, being a period of at least 12 months from the date of these financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNING POLICIES (continued)

Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company and its subsidiary undertakings. Subsidiaries are all entities over which the Group has the power to govern their financial and operating policies generally accompanying a shareholding of more than fifty per cent of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Company uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration agreement. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition by acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase the difference is recognised directly in the income statement.

Associates are all entities over which the group has significant influence but not control or joint control This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity. Unrealised gains on transactions between the group and its associates and joint ventures are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The carrying amount of equity-accounted investments is tested for impairment in accordance with the accounting policy.

Investments in subsidiaries are accounted for at cost less impairment.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated Unrealised losses are also eliminated Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNING POLICIES (continued)

Foreign currency translation

Functional and presentational currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated and company financial statements are presented in United States Dollar, which is the Company's functional and presentational currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper- inflationary economy) that have a functional currency different from the presentational currency are translated into the presentational currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position,
- income and expenses for each income statement are translated at average exchange rates; and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Property, plant and equipment

Property plant and equipment are stated at historical cost less accumulated depreciation and any provision for impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the asset and bringing the asset to its working condition for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only where it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred. Any borrowing costs associated with qualifying property plant and equipment are capitalised and depreciated at the rate applicable to that asset category.

Land is not depreciated Depreciation on other assets is calculated using the straight-line method or reducing balances method to allocate their cost to its residual values over their estimated useful lives, as follows:

Buildings	1 to 30 years
Machinery and equipment	1 to 30 years

The assets' residual values and useful economic lives are reviewed regularly, and adjusted if appropriate, at the end of each reporting year An asset's carrying value is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on the disposal of assets are determined by comparing the proceeds with the carrying amount and are recognised in administration expenses in the income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNING POLICIES (continued)

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy Depreciation of these assets, determined on the same basis as other property assets, commences when the assets are ready for their intended use.

Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group s share of the net identifiable assets of the acquired subsidiary at the date of the acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill has an infinite useful life and is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment.

Trademarks, trade names and licences

Separately acquired trademarks and licences are shown at historical cost. Trademarks and licences acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives of 15 years and is charged to the income statement.

Customer relationships

Contractual customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The asset represents the value at acquisition of long term relationships with customers. The contractual customer relationships have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the customer relationship of 15 years and is charged to the income statement.

Impairment of non-financial assets

Assets that have an indefinite life such as goodwill are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's 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.

For the purposes of assessing impairment. assets are grouped at the lowest levels for which there are separately identifiable cash flows. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset

2. SUMMARY OF SIGNIFICANT ACCOUNING POLICIES (continued)

(cash-generating unit) in the prior year. A reversal of an impairment loss is recognised in the income statement immediately' If goodwill is impaired however, no reversal of the impairment is recognised in the financial statements

Financial assets

Classification

The group classifies its financial assets in the following measurement categories in accordance with IFRS 9:

- those to be measured at amortised cost.
- those to be measured subsequently at fair value either through Other Comprehensive Income(OCI) or through profit or loss.

Financial assets at amortised cost

Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss.

Financial assets at fair value through profit or loss

The Group classifies the following financial assets at fair value through profit or loss:

- debt investments that do not qualify for measurement at either amortised cost or fair value through OCI.
- equity investments that are held for trading.
- equity investments for which the entity has not elected to recognise fair value gains and losses through OCI.

Financial assets at fair value through Other Comprehensive Income

Financial assets at fair value through Other Comprehensive Income comprise equity securities that are not held for trading and which the Group has irrevocably elected at initial recognition to recognise in this category. The Group considers this category to be more relevant for assets of this type. Purchases and sales of these assets are valued at the date of trade.

Inventories

Inventories are stated at the lower of cost and net realisable value using the first-in, first-out method. Cost is calculated on an average cost basis and includes raw materials, direct labour, other direct costs and attributable production overheads, where appropriate. Net realisable value represents the estimated selling price less all estimated costs of completion and applicable selling costs. Where necessary, provision is made for slow-moving and obsolete inventory. Inventory on consignment and their related obligations are recognised in current assets and payables respectively.

Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Other than in the case of certain intercompany receivables, and large corporate customers, they are generally due for settlement within 30 to 120 days and therefore are all classified as current. Trade receivables are initially recognised at fair value, being the original invoice amount, and subsequently measured at amortised cost less provision for impairment. The group applies the IFRS 9 simplified approach to measuring expected credit losses. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the historical credit losses from past experience and are adjusted to reflect current and forward-looking information on factors affecting the ability of the customers to settle the receivables, where applicable the amount of the loss is recognised in the income statement within administrative expenses. When

2. SUMMARY OF SIGNIFICANT ACCOUNING POLICIES (continued)

a trade receivable is uncollectible it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the income statement.

Cash and cash equivalents
Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of less than three months, reduced by overdrafts to the extent that there is a right of offset against other cash balances. For the purposes of the consolidated cash flow statement, cash and cash equivalents consist of cash and short-term deposits as defined above net of outstanding bank overdrafts where there is a right of offset.

Share capital
Ordinary Shares are classified as equity. Proceeds in excess of the nominal value of shares issued are allocated to the share premium account and are also classified as equity. Incremental costs directly attributable to the issue of new Ordinary Shares or options are deducted from the share premium account. Where Ordinary Shares are acquired for cash and then cancelled, the nominal value of shares is deducted from the value of equity and credited to the Capital Redemption reserve. The amount paid is debited to reserves.

Financial liabilities
Debt is measured at fair value, being net proceeds after deduction of directly attributable issue costs, with subsequent measurement at amortised cost with the exception of deferred equity consideration which is categorised as a financial liability at fair value through the income statement. Debt issue costs are recognised in the income statement over the expected term of such instruments at a constant rate on the carrying amount.

Trade and other payables
Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Interest bearing loans
Interest bearing loans are recognised initially at the fair value of proceeds received, net of transaction costs incurred. Loans are subsequently carried at amortised cost. Loans are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date. Loan costs are expensed in the consolidated Group income statement under the heading 'finance costs'. Arrangement and facility fees together with bank charges are charged to the income statement under the heading 'administrative expenses'.

Current and deferred income tax
The tax expense comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income where the associated tax is also recognised in other comprehensive income. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company and its subsidiaries operate and generate taxable income. Management evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2. SUMMARY OF SIGNIFICANT ACCOUNING POLICIES (continued)

Current and deferred income tax (continued)
Deferred tax is recognised, using the liability method, on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised in respect of all temporary differences except where the deferred tax liability arises from the initial recognition of goodwill in business combinations. Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and tax losses, to the extent that they are regarded as recoverable. They are regarded as recoverable where, on the basis of available evidence, there will be sufficient taxable profits against which the future reversal of the underlying temporary differences can be deducted. The carrying value of the amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all, or part, of the tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been substantively enacted at the statement of financial position date.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Provisions
Provisions for legal claims are recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably measured.

Leases
The Company determines if a contract is a lease at the inception of the arrangement. The Company reviews all options to extend, terminate, or purchase its right of use assets at the inception of the lease and accounts for these options when they are reasonably certain of being exercised. Nearly all of the Company's lease contracts do not provide a readily determinable implicit rate. For these contracts, the Company estimates the incremental borrowing rate to discount the lease payments based on information available at lease commencement and combines lease and non-lease components. Leases with an initial term of 12 months or less are not recorded on the statement of financial position and the Company recognises lease expense for these leases on a straight-line basis over the lease term. Lease assets are disclosed under 'right-of-use assets' on the consolidated statement of financial position. Short term lease liabilities are disclosed under the current liabilities and long term lease liabilities are disclosed under non-current liabilities in the consolidated statement of financial position. The Group and Company's leasing policy is further described in note 14

Deferred consideration
Deferred consideration is recognised at fair value. Where the value of deferred consideration is based on a future event, the amounts of future payments are discounted to their present values at the date of completion. The discount rate used is the entity's incremental borrowing rate being the rate at which similar borrowing could be obtained from an independent financier under comparable terms and conditions. Deferred consideration is discounted to take account of the time value of money at rates based on those used for the valuation of related intangible assets.

2. SUMMARY OF SIGNIFICANT ACCOUNING POLICIES (continued)

Research and Development Costs
The Company performs research and development activities for technical improvement of products and processes that are expected to contribute to future earnings. We also provide customer service through our technical staff as part of our research and development program to discover new applications and processes. All costs associated with research and development and technical services are charged to expense as incurred.

Employee benefits
Pension obligations
The Group operates defined contribution pension plans in The Netherlands, Finland, Spain, UK, India and the US. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity with the pension cost charged to the income statement as incurred. The Group has no further obligations once the contributions have been paid.

The Group also operates defined benefit pension plans in Germany and Italy under broadly similar regulatory frameworks. All of these plans are final salary pension plans, which provide benefits to members in the form of a guaranteed level of pension payable for life. Further information is given in note 25.

Share-based compensation
The Group adopted a Stock Appreciation Rights Plan. Share-based expense is recognised as a component of sales, general, and administrative expense. The Company measures and records expense related to all stock awards based on the grant date fair value of the awards. Expense for the service based options is recognised over the requisite service period. If grants are equity-treated then the offset to expense is to equity. The fair value of each option award granted to an employee with SARs is estimated on the date of grant. The Company has service based SARs outstanding as of 31 December 2022 and 2021 Further information is given in note 30.

Revenue recognition
Revenue is accounted for in accordance with the principles of IFRS 15, which has been applied as follows:

Sale of goods
Revenue for the sale of goods is measured at the fair value of the consideration received or receivable and represents the invoiced value for the sale of the goods net of sales taxes rebates and discounts. Revenue from the sale of goods is recognised when control of the products has transferred which is when a Group Company has delivered products to the customer, the customer has accepted delivery of the products and collectability of the related receivables is reasonably assured. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. Where contracts contain multiple deliverables, and the volume of each deliverable can be determined with reasonable certainty, then the transaction price will be allocated to each performance obligation based on the expected cost of each item.

Sale of services
Revenue for the sale of services is measured at the fair value of the consideration received or receivable and represents the invoiced value for the sale of the services net of sales taxes, rebates and discounts. Revenue from the sale of services is recognised when a Group Company has completed the services and collectability of the related receivables is reasonably assured.

Royalty and licence income
Royalty and licence income is recognised on an accruals basis in accordance with the substance of the relevant agreements.

2. SUMMARY OF SIGNIFICANT ACCOUNING POLICIES (continued)

Interest income
Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend distribution
Dividend distributions to the Company's shareholders are recognised as a liability in the Group's financial statements in the year in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when paid. Distributions in specie are recognised at the fair value of the assets distributed.

Exceptional Items
These are items of an unusual or non-recurring nature incurred by the Group and include transactional costs and one off items relating to business combinations, such as acquisition expenses.

3. REVENUE

The Company is a leading producer of Phenol, Urea & Melamine resins, Aromatic Polyols, Molding Compounds and Formaldehyde based thermosetting resins and formalin solutions & Derivatives. These end products are sold to customers across the globe. The production and distribution facilities of the Company are located in Barry, United Kingdom; Cowie, United Kingdom, Lantaron, Spain; Botlek, Netherlands; Iserlohn, Germany; Frielendorf, Germany; Solbiate, Italy; Kitee, Finland; Louisville, Kentucky; Acme, North Carolina; and in Russia through the Company's 50% ownership interest in Bakelite Schekinoazot Holding B.V. (the "Russia JV"), a joint venture that manufactures forest products resins.

Through the acquisition of Georgia-Pacific's Phenolics Chemicals Business the Company acquired the following operating facilities: North America (Conway, North Carolina, Columbus, Ohio; Beaver Creek, Michigan; Taylorsville, Mississippi; Crossett, Arkansas; Lufkin, Texas; Albany, Oregon and Eugene, Oregon), two operating facilities in South America (Concepcion, Chile and Concordia, Argentina) and a research and development center in Atlanta, Georgia. The geographical spread of the revenue is as follows:

Revenue	**Year ended 31 December 2022**	**Period from 7 October 2020 to 31 December 2021**
	$'000	$'000
European Union	369,399	246,477
Americas	721,786	139,050
Asia and Middle East	39,983	25,563
Other Europe	23,362	27,956
United Kingdom	125,751	73 620
Australia	3,869	3,147
Africa	1,076	301
Total	**1,285,226**	**516,114**

4. OPERATING LOSS

Operating loss is stated after charging/(crediting) the following items.

	Note	Year ended 31 December 2022	Period from 7 October 2020 to 31 December 2021
		$'000	$'000
Inventory expensed in cost of goods sold		871,310	338,604
Consumables used in production		91,488	34,160
Research and development expenses		10,832	6,797
Other operating expenses		44,669	14,560
Distribution costs		50,369	16,580
Depreciation	13	46,194	15,646
Depreciation right-of-use assets	14	4,444	1,795
Interest expense right-of-use assets	14	616	249
Amortisation	15	3,722	702
Employee benefit expenses	8	143,280	74,194
Other income	5	(3,328)	(3,424)
Other expense	5	9,037	2,746
Acquisition related expenses	6	20,835	23,163
Loss on extinguishment of debt		6,452	-
Start-up costs associated with the set-up of Bakelite Synthetics	6	13,232	10,639
Restructuring expenses	6	5,123	3,738
Total		**1,318,275**	**541,149**

5. OTHER INCOME AND EXPENSE

Items included in other income and expenses are:

	Year ended 31 December 2022	Period from 7 October 2020 to 31 December 2021
	$'000	$'000
Other Income		
Foreign exchange gains	-	2,646
Royalty income	1,050	778
Other operating income	2,278	-
Total other income	**3,328**	**3,424**
Other expense		
Foreign exchange losses	(2,026)	-
Accrued board fees	(690)	(678)
Accrued management fees	(5,000)	-
Houlihan Lokey Capital settlement expenses	-	(1,000)
Other expenses	(1,321)	(1,068)
Total other expense	**(9,037)**	**(2,746)**

6. EXCEPTIONAL ITEMS

Included within expenses are exceptional items as shown below:

	Year ended 31 December 2022	Period from 7 October 2020 to 31 December 2021
	$'000	$'000
Acquisition related expenses	20,835	23,163
Loss on extinguishment of debt	6,452	-
Start-up costs associated with the set-up of Bakelite Synthetics	13,232	10,639
Restructuring expenses	5,123	3,738
Contingent consideration adjustment	7,867	-
Total exceptional items	**53,509**	**37,540**

In connection with the acquisition of Georgia Pacific's Phenolics Chemical business, the Group incurred acquisition-related costs of approximately $20,595,000 which have been expensed as operating expenses for the year ended 31 December 2022. The acquisition-related expenses incurred during the period for the acquisition of the PSR business were $240,000. These expenses are related to fees paid to lawyers, consultants and other professional services directly related to the acquisition.

The Group incurred $13,232,000 of start-up costs related to the set up of the Bakelite group during the year ended 31 December 2022 related to the acquisition of Georgia Pacific's Phenolics Chemical business. The start-up costs related to the acquisition of the PSR business were $10,639,000 during the period ended 31 December 2021. These costs relate to expenses for the purchase of licenses, expenses for the setup of the banking system and other costs associated to the set-up of the acquisitions within the group.

At 31 December 2022, the Group had a reserve of $1,409,000 (2021: $2,381,000) related to severance costs and other related expenses. The restructuring program is aimed on reducing research and development activities in Germany, Great Britain and the US. The Group recorded $5,123,000 of restructuring expenses for the year ended 31 December 2022 (2021: $3,738,000).

On 24 March 2023, the Company signed an agreement with Hexion for the final Earnout Payment in the amount of $20 000,000 for all periods to be paid during 2023 Accordingly, the Company has adjusted the contingent consideration liability to $20,000,000 at 31 December 2022 and recorded the related fair value adjustment of $7,867,000 in the Consolidated Income Statement for the year ended 31 December 2022 Refer to Note 26 for further information.

7. AUDITORS REMUNERATION

During the year the Group (including its overseas subsidiaries) obtained the following services from the Company's auditors and their associates:

	Year ended 31 December 2022	**Period from 7 October 2020 to 31 December 2021**
	$'000	$'000
Fees payable to the company's auditors for the audit of the company and consolidated financial statements	300	200
Fees payable to the company's auditors for the audit of the company's subsidiaries	1,119	703
Other services	42	-
Total auditors remuneration	**1,461**	**903**

8. EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December 2022	Period from 7 October 2020 to 31 December 2021
	$'000	$'000
Wages and salaries	115 871	60,617
Social security costs	12,174	7,441
Share-based payment expenses	1,277	13
Pension costs- defined contribution plan	4,503	2,629
Pension costs- defined benefit plan	1,876	1,410
Other post-employment benefit expense	7,579	2,084
Total employee benefit expenses	**143,280**	**74,194**

The Company had no employees, other than the directors, and incurred no staff costs during the year. The emoluments of the directors are described in note 32.

9. MONTHLY AVERAGE NUMBER OF PEOPLE EMPLOYED

	Year ended 31 December 2022	Period from 7 October 2020 to 31 December 2021
Manufacturing	957	714
Sales	41	29
Administrative	159	113
Research & Development	73	67
Total average number of employees	**1,230**	**923**

The total number of employees (FTEs) in the Group at 31 December 2022 was 1,471 (2021 925). There were no employees employed by the Company.

10. FINANCE INCOME AND COSTS

	Year ended 31 December 2022	Period from 7 October 2020 to 31 December 2021
	$'000	$'000
Finance costs		
Amortised finance costs	(8,387)	(1,074)
Interest expense on loans	(26,395)	(8,441)
Total finance costs	**(34,782)**	**(9,515)**
Finance income		
Interest income	118	4
Total finance income	**118**	**4**
Total finance expenses	**(34,664)**	**(9,511)**

11. INCOME TAX EXPENSE

Income tax expense detail for the Group for the year is as follows :

	Year ended 31 December 2022	Period from 7 October 2020 to 31 December 2021
	$'000	$'000
Current tax		
Current tax on loss for the year	2,943	711
Total current tax	**2,943**	**711**
Deferred tax (note 24)		
Origination and reversal of temporary differences	(4,489)	954
Total deferred tax	**(4,489)**	**954**
Total income tax expense	**(1,546)**	**1,665**

A change to the main UK corporation tax rate, announced in the Budget on 3 March 2021, was enacted under the Finance Act 2021. The rate applicable from 1 April 2023 will increase to 25%, from the previously enacted rate of 19%. Deferred income taxes at the date of the statement of financial position have been measured using these enacted tax rates and reflected in these financial statements. The tax on the Group's loss before tax differs from the theoretical amount that would arise using the standard tax rate applicable to the profits of the consolidated entities as follows

	Year ended 31 December 2022	Period from 7 October 2020 to 31 December 2021
	$'000	$'000
Loss before tax	(57,763)	(32,063)
Tax calculated at the domestic tax rates applicable to UK standard rate of tax of 19%	(10,975)	(6,092)
Tax effects of:		
Foreign tax rate benefit differential	(701)	(1,324)
State tax expense, net of federal benefit	-	(597)
Non-deductible losses and other expenses	938	943
Other permanent differences	1,984	140
Uncertain tax positions	(11)	(379)
Return-to-provision	1,065	(63)
Excess DTA not expected to be realised	8,048	8,037
Changes in enacted tax laws and tax rates	(1,260)	1,531
Deferred only	(634)	(531)
Income tax expense	**(1,546)**	**1,665**

As of 31 December 2022, the Company has net operating loss (NOL) carry forwards of approximately $38,866 000 (2021: $5,933,000) in Argentina which has a five year carry forward period as well as Chile, Spain, Italy and the UK. All NOLs have an indefinite carry forward period.

12 BUSINESS COMBINATION

Acquisition of Georgia-Pacific's Chemicals Business
On 27 May 2022, the Company entered into an acquisition via an equity purchase agreement acquiring Georgia-Pacific's Chemicals Business from Georgia-Pacific, (the "seller") in exchange for the purchase price. The acquisition-date fair value of the consideration transferred totaled $418,720,000 in cash, including a closing working capital settlement of $2,900,000. The working capital settlement of $2,960,000 was paid by the seller to the buyer in January 2023. The Company recorded a withholding tax liability in the Opening Balance Sheet of $8,618,000 for the purchase of the Chile operations.

The purchase price was funded by a additional equity funding of $138,000,000 into the Company by Black Diamond Capital Management, LLC and Investindustrial Investment Holdings S.a.r.l. and proceeds from borrowings under an Initial Term loan of $485,000,000. These funds were also used to pay off the existing debt. The acquisition of Georgia-Pacific's Chemicals Business was accounted for as a business combination using the purchase accounting method. The purchase price was allocated to the assets acquired and liabilities assumed based on the estimated fair value at the date of acquisition. The provisional fair values of assets acquired and liabilities assumed at the acquisition date are summarised in the table below.

Consideration	**$'000**
Cash	418,720
Total consideration	**418,720**

Recognised amounts of identifiable assets acquired and liabilities assumed	**$'000**
Property, plant and equipment	220,115
Right-of-use assets	8,299
Intangible assets	69,900
Deferred tax assets	4,521
Other assets	2
Inventory	75,109
Other current assets	19,261
Trade receivables	70,940
Cash and cash equivalents	1,528
Trade and other payables	(61,003)
Deferred tax liabilities	(8,625)
Employee benefit obligations	(1,487)
Lease liability	(8,346)
Other liabilities	(10,044)
Total identifiable net assets	**380,170**
Goodwill	**38,550**

Intangible assets acquired in the transaction consisted of the following items:

Intangible assets, 27 May 27 2022	**Expected life** (in years)	**$'000**
Trademarks	15	14,900
Customer relationships	15	55,000
Total identifiable intangible assets		*69,900*

The transaction resulted in goodwill of $38,550,000 that is attributable mainly to the assembled workforce and the expected synergy of combining business and resources. Expected synergy was the primary reason for the business

12. BUSINESS COMBINATION (continued)

Acquisition of Georgia-Pacific's Chemicals Business (continued)
combination. In connection with the acquisition, the Company incurred acquisition-related costs of approximately $20,595,000 which have been expensed as operating expenses in the Consolidated Statements of Income for the year ended December 31, 2022. The intangible assets were fair valued at 27 May 2022. The trademarks were valued based on the income approach: Relief from royalty method. Customer relationships were valued based on the excess earnings method utilising company-specific inputs. Both include significant Level 3 inputs not observable in the market. Key assumptions include future revenue and costs attributable to the assets and liabilities acquired.

The acquired business contributed revenues of $491,417,000 and net profit of $2,699,000 to the group for the period 27 May 2022 to 31 December 2022. The Group paid $20,835,000 of acquisition related costs and $13,232,000 of start-up costs. Excluding these costs the Group would have made a loss of $14,259,000. The loss is mainly coming from the finance cost of $34,782,000. If the acquisition had occurred on 1 January 2022, consolidated pro-forma revenue and loss for the year ended 31 December 2022 would have been $1,636,238,000 and $9,630,000 respectively. These amounts have been calculated using the results and adjusting them for the additional depreciation and amortisation that would have been charged, assuming that the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 January 2022, together with the consequential tax effects.

Acquisition of the PSR Business
On 30 April 2021, the Company acquired all of the assets of the PSR Business from Hexion, Inc. (the "Seller"). The acquisition-date fair value of the consideration transferred totaled $305,472,000 in cash, which included a working capital settlement of $1,677,000 paid to the Seller in July 2021, and the Company is obligated to make future payments to the seller, based on the performance of the acquired businesses for the 32 month period following the acquisition. The fair value of this contingent consideration was estimated to be $13,200,000 as of the acquisition date. The total purchase price was estimated at $318,672,000.

The fair value of the contingent consideration is estimated by applying the income approach, which includes significant Level 3 inputs not observable in the market. Level 3 includes assets and liabilities whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques reflecting the Company's assumptions about the assumptions market participants would use as well as those requiring significant management judgment. Key assumptions include future revenue and costs attributable to the assets and liabilities acquired.

Contingent consideration payments will be based on the amount of actual adjusted earnings before interest, taxes, depreciation and amortisation (EBITDA) (as defined in the Purchase Agreement) above targeted EBITDA amounts of $45,000,000, $50,000,000 and $60,000,000 in 2021, 2022, and 2023, respectively. On 24 March 2023, the Company signed an agreement with Hexion for the final Earnout Payment in the amount of $20,000,000 for all periods to be paid during 2023. Accordingly, the Company has adjusted the contingent consideration liability to $20,000,000 at 31 December 2022, and recorded the related fair value adjustment of $7,867,000 in the Consolidated Income Statement for the year ended 31 December 2022. Refer to Note 26 for further information.

The purchase price was funded by
(i) A capital contribution of $168 400,000 into the Holding Companies by Black Diamond Capital Management, LLC and Investindustrial Investment Holdings S.a.r.l.
(ii) Proceeds from borrowings under an initial term loan of $90,000,000.
(iii) Proceeds from borrowings under an initial term loan of EUR 62,000,000.

The acquisition of the PSR Business from Hexion was accounted for as a business combination using the purchase accounting method. The purchase price was allocated to the assets acquired and liabilities assumed based on the estimated fair value at the date of acquisition.

12. BUSINESS COMBINATION (continued)

Acquistion of the PSR Business (continued)

The estimated fair values of assets acquired and liabilities assumed at the acquisition date are summarised in the table below.

Consideration	*$'000*
Cash	305,472
Deferred contingent consideration	13,200
Total consideration	**318,672**

Recognised amounts of identifiable assets acquired and liabilities assumed	**$'000**
Property, plant and equipment	264,131
Right-of-use assets	7,504
Intangible assets	16,200
Deferred tax assets	9,052
Other assets	6,991
Investments	4,640
Inventories	54,053
Other current assets	11,387
Trade receivables	92,460
Cash and cash equivalents	2,300
Trade and other payables	(76,613)
Deferred tax liabilities	(23,114)
Employee benefit obligations	(46,557)
Lease liability	(7,135)
Provisions	(5,116)
Other liabilities	(9,276)
Total identifiable net assets	**300,907**
Goodwill	**17,765**

12. BUSINESS COMBINATION *(continued)*

Acquistion of the PSR Business (continued)

Intangible assets acquired in the transaction consisted of the following items:

Intangible assets, 30 April 2021	Expected life	$'000
	(in years)	
Trademarks	15	6,100
Customer relationships	15	10,100
Total identifiable intangible assets		**16,200**

The transaction resulted in goodwill of $17,765,000 that is attributable mainly to the assembled workforce and the expected synergy of combining business and resources. Expected synergy was the primary reason for the business combination. In connection with the acquisition, the Company incurred acquisition-related costs of approximately $20,459,000 which have been expensed as operating expenses for the period ended 31 December 2021.
The intangible assets were fair valued at 30 April 2021. The trademarks were valued based on the income approach. *Relief from royalty method. Customer relationships were valued based on the excess earnings method utilising* company-specific inputs. Both include significant level 3 inputs not observable in the market. Key assumptions include future revenue and costs attributable to the assets and liabilities acquired.

The acquired business contributed revenues of $516,114,000 and net loss of $33,728,000 to the group for the period 1 May 2021 to 31 December 2021. The Group paid $23,163,000 of acquisition related costs and $10,639,000 of start-up costs. Excluding these costs the Group would have made a profit of $74,000. If the acquisition had occurred on 1 January 2021, consolidated pro-forma revenue and profit for the period ended 31 December 2021 would have been $774,171 and $111,000 respectively. These amounts have been calculated using the results and adjusting them for the additional depreciation and amortisation that would have been charged, assuming that the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 January 2021, together with the consequential tax effects.

13 PROPERTY PLANT AND EQUIPMENT

Property, plant and equipment are summarised as follows at year ended 31 December 2022 and period from 7 October 2020 to 31 December 2021:

	Land	Buildings	Machinery & equipment	Assets under construction	Total
	$'000	$'000	$'000	$'000	$'000
Balance on incorporation					
Historical costs	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
Book value	-	-	-	-	-
Movements period from 7 October 2020 to 31 December 2021					
PSR business acquisition	30,536	42,580	158,128	32,887	264,131
Additions	-	-	10,430	5,093	15,523
Disposals	-	-	(1,624)	-	(1,624)
Depreciation	(271)	(2,457)	(12,918)	-	(15,646)
Currency translation adjustment	(1,142)	(1,705)	(5,155)	(1,451)	(9,453)
Balance	**29,123**	**38,418**	**148,861**	**36,529**	**252,931**
Balance as at 31 December 2021					
Historical costs	29,394	40,875	161,779	36,529	268,577
Accumulated depreciation	(271)	(2,457)	(12,918)	-	(15,646)
Book value as at 31 December 2021	**29,123**	**38,418**	**148,861**	**36,529**	**252,931**
Movements year ended 31 December 2022					
Georgia Pacific business acquisition	12,717	26,886	173,068	7,444	220,115
Additions	2,662	4,723	14,472	10,539	32,396
Disposals	-	-	(776)	-	(776)
Depreciation	(800)	(7,254)	(38,140)	-	(46,194)
Currency translation adjustment	(1,571)	(2,604)	(4,544)	(2,183)	(10,902)
Balance	**13,008**	**21,751**	**144,080**	**15,800**	**194,639**
Balance as at 31 December 2022					
Historical costs	43,202	69,880	343,999	52,329	509,410
Accumulated depreciation	(1,071)	(9,711)	(51,058)	-	(61,840)
Book value as at 31 December 2022	**42,131**	**60,169**	**292,941**	**52,329**	**447,570**

Depreciation charge of $44,334,803 (2021: $15,016,722) has been charged to cost of sales and $1,859,197 (2021: $629,732) has been charged to selling, general and administrative expenses. Depreciation is calculated using the straight-line method to allocate the cost or revalued amounts of the assets, net of their residual values, over their estimated useful lives. Significant capital expenditures for machinery and equipment contracted for at year end but not recognised as liabilities were $224,726 (2021: $329,226).

14 RIGHT-OF-USE ASSETS

The following amounts are reported as right-of-use assets as at 31 December 2022 and 2021:

	2022	2021
	$'000	$'000
Assets		
Buildings	2,156	495
Land improvements	930	1,336
Vehicles	501	696
Machinery & equipment	6,330	2,797
Railcars	1,782	167
Storage	313	784
Total right-of-use assets	**12,012**	**6,275**
Liabilities		
Current	3,903	1,789
Non-current	8,212	4,440
Total lease liabilities	**12,115**	**6,229**

Additions to the right-of-use assets during the 2022 financial year were $2,676,000 (2021:$2,156,005) for the group.

The consolidated income statement shows the following amounts related to leases as at 31 December 2022 and 2021:

	Year ended 31 December 2022	Period from 7 October 2020 to 31 December 2021
	$'000	$'000
Assets		
Buildings	371	65
Land improvements	112	53
Vehicles	389	176
Machinery & equipment	854	507
Railcars	176	80
Storage	2,542	914
Total depreciation charge of right-of-use assets	**4,444**	**1,795**
Interest expense	616	249
Expense related to short-term leases (included in cost of goods sold and administrative expenses)	1,842	1,092
Expense related to variable lease payments not included in lease liabilities (included in administrative expenses)	834	576
The total cash outflow for leases	7,736	3,712

The Company adopted IFRS 16 whereby leases are presented on the consolidated statement of financial position. The Company leases certain buildings, warehouses, rail cars, land and operating equipment under operating leases. Short term leases of 12 months or less are recognised as lease expense as incurred. The Company determines if a contract is a lease at the inception of the arrangement. The Company reviews all options to extend, terminate, or purchase its right of use assets at the inception of the lease and accounts for these options when they are reasonably certain of being exercised.

14. RIGHT-OF-USE ASSETS (continued)

At lease commencement, the Company records a lease liability and Right-of-use asset ("ROU") based on the present value of the future lease payments over the expected lease term which includes options to extend or terminate the lease when it is reasonably certain those options will be exercised. The Company elected to not include non lease components in determining its lease liability. For those leases with payments based on an index, the lease liability is determined using the index at the commencement date. If the amount by which a lease escalates based on the change in an index is not known at lease commencement, it is considered a variable lease payment and is not included in the present value of the future lease payments. The present value of the lease liability is determined using the Company's incremental borrowing rate at lease inception. The leases were revalued at the business combination date. ROU assets represent the right to control the use of the leased asset over the term of the lease and are recognised in an amount equal to the lease liability. An ROU asset and lease liability are not recognised for leases with an initial term of twelve months or less. These are expensed to the income statement.

Cash paid for operating leases approximated operating lease expense and non-cash right-of-use asset amortisation for the year. The table below reconciles the undiscounted cash flows for the first five years and the total of the remaining years to the operating lease liabilities recorded in the consolidated statement of financial position as at 31 December 2022

	Year ended 31 December 2022	Period from 7 October 2020 to 31 December 2021
	$'000	$'000
Lease liabilities		
2022	-	1,726
2023	3,903	1,222
2024	3,397	922
2025	2,512	474
2026	1,685	409
2027	195	-
After five years	968	1,756
Total lease liabilities	**12,660**	**6,509**
Amount representing interest	**(545)**	**(280)**
Present value of lease liabilities	**12,115**	**6,229**

15 *INTANGIBLE ASSETS*

Intangible assets are summarised as follows at year ended 31 December 2022 and period from 7 October 2020 to 31 December 2021.

	Goodwill	Trademarks	Customer relationships	Total
	$'000	$'000	$'000	$'000
Balance on incorporation				
Historical costs	-	-	-	-
Accumulated amortisation	-	-	-	-
Book value	-	-	-	-
Movements period from 7 October 2020 to 31 December 2021				
PSR business acquisition	17,765	6,100	10,100	33,965
Amortisation	-	(264)	(438)	(702)
Currency translation adjustment	(691)	(191)	(315)	(1,197)
Balance	**17,074**	**5,645**	**9,347**	**32,066**
Balance as at 31 December 2021				
Historical costs	17,765	6,100	10,100	33,965
Accumulated amortisation	-	(264)	(438)	(702)
Currency translation adjustment	(691)	(191)	(315)	(1,197)
Book value as at 31 December 2021	**17,074**	**5,645**	**9,347**	**32,066**
Movements year ended 31 December 2022				
Georgia Pacific business acquisition	38,550	14,900	55,000	108,450
Adjustments	581	-	-	581
Amortisation	-	(957)	(2,765)	(3,722)
Currency translation adjustment	(977)	(258)	(426)	(1,661)
Balance	**38,154**	**13,685**	**51,809**	**103,648**
Balance as at 31 December 2022				
Historical costs	56,896	21,000	65,100	142,996
Accumulated amortisation	-	(1 221)	(3,203)	(4,424)
Currency translation adjustment	(1,668)	(449)	(741)	(2,858)
Book value as at 31 December 2022	**55,228**	**19,330**	**61,156**	**135,714**

15.1 Intangible assets

Intangible assets were acquired during the Georgia Pacific and PSR business acquisition. Trademarks and customer relationships are amortised using the straight-line method over a period of 15 years. The value of trademarks was determined using the income approach, relief from royalty method. Customer relationships were determined using the *excess earnings method utilising company-specific inputs.*

15 INTANGIBLE ASSETS (continued)

15.2 Goodwill

Goodwill is allocated to the Group's Cash Generating Units (CGU) identified according to geographic operating segment. The allocation at 31 December 2022 and 2021 is as follows

CGU	2022	2021
	$'000	$'000
PSR Business	16,678	17,074
Georgia Pacific Business	38,550	-
Total	**55,228**	**17,074**

Goodwill is tested for impairment at the end of the year. The recoverable amount of goodwill at 31 December 2022 and 2021 was assessed based on the value in use. The assessed value exceeded the carrying value and no impairment loss was recognised.

The key assumptions in the calculation to assess the value in use are future revenues and the ability to generate future cash flows. Key inputs were the income statement forecast through year 2026. These were extrapolated through the terminal period in consideration of market participant assumptions. Assumptions were discussed with management for reasonableness. The long-term growth rate was selected based on the OECD's GDP Growth report. The Company used the industrial discount rate. The key assumptions used in the 2022 and 2021 valuations were.

PSR Business	2022	2021
Long term growth rate	2.5%	2%
Industrial discount rate	12.5%	11.5%

Georgia Pacific Business	2022	2021
Long term growth rate	2.5%	-
Industrial discount rate	19%	-

The discount rate used is based on a common risk profile across the Group.

The group tests whether goodwill has suffered any impairment on an annual basis. For the 2022 and 2021 reporting year, the recoverable amount of cash-generating units was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period. The Impairment assessment for all units showed assessed values that exceeded the carrying values with some headroom. Sensitivity analysis has been carried out on the assessment for each unit.

PSR Business sensitivity analysis: The assessment was recalculated using both a longer term growth rate of 0% and a discount rate of 19%. The Group would have had to recognize an impairment for the PSR Business against the carrying amount of property, plant and equipment of $99,847,000.

Georgia Pacific sensitivity analysis: The assessment was recalculated using both a longer term growth rate of 0% and a discount rate of 20%. The Group would have had to recognize an impairment for the Georgia Pacific Business against the carrying amount of property, plant and equipment of $17,953,000.

15 INTANGIBLE ASSETS *(continued)*

Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated above. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates

16 OTHER ASSETS

Other assets are summarised as follows as at 31 December 2022 and 2021.

	2022	2021
	$'000	$'000
Other deferred charges	3,252	2,753
Other non-current assets	3,104	2,085
Loans to affiliates	1,252	3,371
Total other assets	**7,608**	**8,209**

The Company has Silver Catalyst inventory which are classified as other deferred charges. This is a metal used as raw material in the production. It is held in reactors on site and at the vendor.

17 INVESTMENTS IN SUBSIDIARIES

The Company holds several investments in group undertakings. The balances at year ended 31 December 2022 and period from 7 October 2020 to 31 December 2021 were

	$000
Balance on incorporation	-
PSR business acquisition	167,900
Balance as at 31 December 2021	**167,900**
Georgia Pacific business acquisition	138,000
Balance as at 31 December 2022	**305,900**

Investments in group undertakings are held at cost, which is the fair value of the consideration paid, less any impairment. The subsidiaries at 31 December 2022, which are held directly unless noted otherwise are as follows:

Name of Company	Note	Proportion held 2022	Proportion held 2021	Class of shareholding	Nature of business
Bakelite UK Intermediate Limited	1	100%	100%	Ordinary	Intermediate holding company
Bakelite UK Holding Limited	1	100%	100%	Ordinary	Holding company
Bakelite UK Buyer Sub Limited	1	100%	100%	Ordinary	Holding company
Bakelite Synthetics UK Holding Limited	1	100%	100%	Ordinary	Holding company
Bakelite Synthetics UK Limited	1	100%	100%	Ordinary	Manufacturing and sale of goods
Peach Holdco Limited	1	100%	0%	Ordinary	Holding company
Bakelite US Holdco Inc.	2	100%	100%	Ordinary	Holding company
Bakelite LLC	2	100%	100%	Ordinary	Head office manufacturing and sale of goods
Bakelite International Inc.	2	100%	100%	Ordinary	Holding company
Bakelite Netherlands Buyer B.V.	3	100%	100%	Ordinary	Holding company
Bakelite Botlek B.V.	3	100%	100%	Ordinary	Tolling and administrative support services
Bakelite Shchekinoazot Holding B.V.	4	50%	50%	Partnership	Dormant
Bakelite Germany Buyer GmbH	5	100%	100%	Ordinary	Holding company
Bakelite GmbH	5	100%	100%	Ordinary	Manufacturing and sale of goods
Bakelite Italy Buyer S.p.A.	6	100%	100%	Ordinary	Holding company
Bakelite Italia S.p.A.	7	100%	100%	Ordinary	Manufacturing and sale of goods
Bakelite Iberica, S.A.	8	100%	100%	Ordinary	Manufacturing and sale of goods
Bakelite Oy	9	100%	100%	Ordinary	Manufacturing and sale of goods
Bakelite Synthetics India Private Limited	10	100% (indirect)	100% (indirect)	Ordinary	Manufacturing and sale of goods
Bakelite Chemicals LLC	11	100%	100%	Ordinary	Manufacturing and sale of goods
Bakelite Chile Holdco SpA	12	100%	0%	Ordinary	Holding company
Inversiones Bakelite Limitada (Chile)	12	100% (indirect)	0%	Ordinary	Holding company
Inversiones Bakelite Sudamérica Limitada (Chile)	12	100% (indirect)	0%	Ordinary	Holding company
Bakelite Resinas Limitada (Chile)	12	100% (indirect)	0%	Ordinary	Manufacturing and sale of goods
Resinas Concordia S.r.l. (Argentina)	13	100% (indirect)	0%	Ordinary	Manufacturing and sale of goods

1. Incorporated, registered and having its principal place of business in the United Kingdom, with its registered office being Sully Moors Road, Sully, Penarth, Wales, CF64 5YU.
2. Incorporated, registered and having its principal place of business in the United States of America, with its registered office being 1800 Meidinger Tower, Louisville, Kentucky 40202
3. Incorporated, registered and having its principal place of business in the Netherlands, with its registered office being Chemiestraat 30, 3197 KB, Botlek Rotterdam.
4. Incorporated, registered and having its principal place of business in the Netherlands, with its registered office being Seattleweg 17, building 4, 3195 ND Pernis, Rotterdam.

17. INVESTMENTS IN SUBSIDIARIES (continued)

5. Incorporated, registered and having its principal place of business in Germany, with its registered office being Gennaer Strasse 2 – 4, 58642 Iserlohn – Letmathe.
6. Incorporated, registered and having its principal place of business in Italy, with its registered office being Via Alessandro Manzoni 38, 20121 Milano (MI).
7. Incorporated, registered and having its principal place of business in Italy, with its registered office being Via Giuseppe Mazzini 104, 21058 Solbiate Olona (VA).
8. Incorporated, registered and having its principal place of business in Spain, with its registered office being C/antepardo no 9 Poligono Industrial de Lantaron, 01213 Lantaron, Araba/Alava
9. Incorporated, registered and having its principal place of business in Finland, with its registered office being Kitee, Teollisuustlie 20 B 82430 Puhos.
10. Incorporated, registered and having its principal place of business in India, with its registered office being #1302, Tower-3, ONE International Center, Senapati Bapat Marg, Elphinstone Road (West) Mumbai - 400 013, Maharashtra.
11. Incorporated registered and having its principal place of business in the United States of America, with its registered office being 1040 Crown Pointe Parkway, Suite 700, Atlanta, Georgia 30338.
12. Incorporated, registered and having its principal place of business in Chile, with its registered office being Cochrane 635 Edificio Centro Plaza Torre Af. 603 Concepción Chile.
13. Incorporated, registered and having its principal place of business in Argentina, with its registered office being José Ignacio Rucchi 225 Parque Industrial Concordia, entre Rios, 3200 Argentina.

Bakelite UK Intermediate Limited (Company registration number: 12946749), Bakelite UK Holding Limited (Company registration number. 12815027), Bakelite UK Buyer Sub Limited (Company registration number: 13158060), Bakelite Synthetics UK Holding Limited (Company registration number: 11067567) Peach Holdco Limited (Company registration number: 13743161) and Bakelite Synthetics UK Limited (Company registration number: 00867053) are exempt from the requirements to file audited financial statements by virtue of section 479A of the Companies Act 2006. In adopting the exemption, Bakelite UK TopCo Ltd. has provided a statutory guarantee to these subsidiaries in accordance with section 479C of the Companies Act 2006.

18 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The group has interests in two individually immaterial joint ventures that are accounted for using the equity method. Investments are summarised as follows at year ended 31 December 2022 and period from 7 October 2020 to 31 December 2021:

	2022	2021
	$'000	$'000
Balance on Incorporation/1 January	**7,123**	-
PSR business acquisition	-	4,640
Earnings during the year/period	4,674	2,483
Currency translation adjustment	(289)	-
Balance as at 31 December	**11,508**	**7,123**
Bakelite Shchekinoazot OOO	11,372	6,987
Liimaniemen Sahkolittyma Oy	136	136
Balance as at 31 December	**11,508**	**7,123**

The investment in the Russian entity Bakelite Shchekinoazot OOO is valued based on the equity method. The Company owns 50% of this joint venture. The investment in the Finish entity Liimaniemen Sahkolittyma Oy is valued based on the equity method. The Company owns 33.33% of this joint venture.

19 INVENTORIES

Inventories are summarised as follows as of 31 December:

	2022	2021
	$'000	$'000
Finished goods	47,001	31,885
Raw materials	91,178	44,182
Obsolete reserve	(3,425)	(1,851)
Total Inventories	**134,754**	**74,216**

Management believes that the replacement values of inventories are not materially different to the carrying values stated above. Inventories recognised as an expense during the year ended 31 December 2022 amounted to $871,312,000 (2021: $338,604,000). These were included in 'cost of sales'.

20 OTHER CURRENT ASSETS

Other current assets are summarised as follows as of December 31

	2022		2021	
	Group	Company	Group	Company
	$'000	$'000	$'000	$'000
Intercompany loans	-	498	-	495
Intercompany receivables	-	1,301	-	-
Prepaid insurances and taxes	12,270	-	3,792	-
Spare parts inventory	15,888	-	6,387	-
Other current assets	10,935	-	6,983	-
Total other current assets	**39,093**	**1,799**	**17,162**	**495**

The Group has maintenance spare parts used at the manufacturing locations. These spare parts are expensed when consumed. They are classified as current assets as they exist for usage in current operations. Other current assets exist for the most of prepayments to vendors for the purchase of raw materials.

The intercompany loan receivable from Bakelite UK Holding Ltd., in the amount of $498,000 on 31 December 2022 (2021: $495,000) is part of the zero balancing agreement between Bakelite UK Holding Ltd. (as Cash Pool Leader) and the Company. This loan is interest bearing against the deposit interest rate. This deposit interest rate is determined on the 3 months EURIBOR, minus 95 basis points. In the event the fixed percentage amount cannot be applied, since it will result in a negative interest percentage, the cash pool participants shall be ensured with a minimum interest rate, based upon market conditions, as determined by Bakelite's treasury department.

Intercompany receivables are amounts due from Group Companies for services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore classified as current. Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

21 TRADE RECEIVABLES

Trade receivables consisted of the following as of 31 December 2022 and 2021.

	2022	2021
	$'000	$'000
Trade receivables	129,077	91,045
Loss allowance	(1,561)	(1,254)
Trade receivables net	127,516	89,791
Other receivables	8,932	8,360
Total Accounts Receivable	**136,448**	**98,151**

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are due within 30 to 120 days and are therefore classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional. The Company holds the trade receivables with the objective of collecting the contractual cash flows. The Company believes that the carrying amounts of accounts receivable approximate fair value due to their short-term maturities.

The Company recorded a loss allowance of $1,561,000 at 31 December 2022 (2021: $1,254,000), to reduce accounts receivable to their estimated net realisable value. Accounts receivable balances are written-off against the provision if a final determination of uncollectability is made.

21. TRADE RECEIVABLES (continued)

The loss allowance as at 31 December 2022 and 2021 was determined as follows for trade receivables:

	2022			2021		
	Expected loss rate	*Gross carrying amount trade receivables*	*Loss allowance*	*Expected loss rate*	*Gross carrying amount trade receivables*	*Loss allowance*
	%	$'000	$'000	%	$'000	$'000
Current	0.00%	126,840	2	0.01%	87,848	5
More than 30 days past due	0.12%	471	1	0.62%	1,272	8
More than 60 days past due	0.88%	209	1	7.40%	738	54
More than 120 days past due	100.00%	1,557	1,557	100.00%	1,187	1,187
Total		**129,077**	**1,561**		**91,045**	**1,254**

The ageing analysis of the provision for impairment is as follows as at 31 December:

	2022	2021
	$'000	$'000
Up to 3 months	2	28
3 to 6 months	2	39
Over 6 months	1,557	1,187
Total Accounts Receivable	**1,561**	**1,254**

Movement on the loss allowance of trade receivables are as follows at year ended 31 December 2022 and period from 7 October 2020 to 31 December 2021

	Year ended 31 December 2022	Period from 7 October 2020 to 31 December 2021
	$'000	$'000
Balance on incorporation/1 January	1,254	-
PSR business acquisition	-	1,266
Provision for receivables impairment	345	62
Exchange differences	(38)	(74)
Balance as at 31 December	**1,561**	**1,254**

The carrying amounts of the Group's accounts receivables denominated in foreign currencies were as follows as at 31 December:

	2022	2021
	'000	'000
US Dollar	87,032	28,850
Euros	36,995	48,510
UK pound sterling	12,313	20,607
Indian rupee	108	184
Balance as at 31 December	**136,448**	**98,151**

22 CASH AND CASH EQUIVALENTS

Cash and cash equivalents for the Group consisted of the following as of 31 December 2022 and 2021:

	2022	2021
	$'000	$'000
Cash at bank and in hand	15,331	11,889
Restricted cash	1,456	958
Balance as at 31 December	**16,787**	**12,847**

The Company considers all highly liquid investments that are purchased with an original maturity of three months or less to be cash equivalents.

Restricted cash represents deposits to secure certain bank guarantees issued to third parties to guarantee potential obligations of the Company. These balances will remain restricted as long as the underlying exposures exist and are included in the Consolidated Balance.

23 INTEREST BEARING LOANS

Interest bearing loans consisted of the following as of 31 December 2022 and 2021:

	2022	2021
	$'000	$'000
Non-current		
Bank loans	477,725	157,810
Amortised debt issue costs	(18,380)	(6,816)
Bank loan less issue costs	459,345	150,994
Revolving credit agreement	37,300	19,824
Total non-current	**496,645**	**170,818**
Current		
Bank loans	4,850	1,602
Total current	**4,850**	**1,602**
Balance as at 31 December	**501,495**	**172,420**

On 30 April 2021, the Company entered into a Credit Agreement with a group of Lenders for an Initial EUR Term Loan in the amount of EUR 62,000,000 ($75,000,000) and an Initial USD Term Loan of $90,000,000 for the purpose of financing the PSR Acquisition. The debt was issued at an original issuance discount of $3,600,000. The deferred financing fees were $4,503,000. The total amount of debt issuance and discount fees was $8,103,000. The Company also entered into a Revolving Loan commitment with a maximum borrowing capacity of $30,000,000. The Term Loans and the Revolving Loan commitment matures on the earliest to occur of (i) 30 April 2026, (ii) the date the loan agreements are permanently reduced to zero (iii) the date of termination of the loan agreements.

Commencing 30 September 2021 the Term Loans are scheduled to be repaid on the last day of each March, June, September and December in the quarterly amount of € 155,000 ($187,000) and $225,000 prior to the Term Loan maturity date. Borrowings under the Term Loans bear interest at an Annual Base Rate of 6.50% for the Initial EUR Term Loan and 7.50% for the Initial USD Term Loan respectively, as defined under the Credit Agreement.

The Company will pay a commitment fee of 0.50% on the average daily unused commitments under the revolving credit facility. The Company is also required to pay customary letter of credit fees, as well as fronting fees, to banks that issue letters of credit. Borrowings may be voluntarily prepaid without premium and penalty at any time. The Term Loan also provides for various mandatory prepayments Substantially all of the Company's assets are pledged as

23. INTEREST BEARING LOANS (continued)

collateral against the obligations under the Credit Agreement. As per the Credit Agreement. the Company agrees to certain affirmative and negative covenants.

The Company was in compliance with all financial covenants as of 31 December 2021. In an event of a default in regard to principal and/or interest. the Company will be responsible for 2.0% plus the rate applicable to the Annual Base Rate Loan of the overdue amount. At year end 31 December 2021. the Company borrowed $19,824,000 from the revolving credit facility. The Company has available borrowing capacity of $10,176,000 at 31 December 2021. There were no outstanding letters of credit at 31 December 2021

Repayment of loans

These loans were repaid on 27 May 2022 as a result of the Georgia Pacific refinancing project. The Company repaid $159,161,000 and $35,374,000 for the Term Loans and the Revolving Loan commitment, respectively. The debt extinguishment loss amounted to $6 453,000 and was recorded under Acquisition-related costs in the Consolidated Income Statement.

Refinancing of long term debt

On 27 May 27 2022, the Company entered into a Credit Agreement with a group of lenders for an Initial USD Term Loan of $485,000,000 for the purpose of financing the Georgia Pacific's Phenolics acquisition. The debt was issued at an original issuance discount of $19 027,000. The deferred financing fees were $1,023,000. The total amount of debt issuance and discount fees was $20,050,000. The Company also entered into a Revolving Loan commitment with a maximum borrowing capacity of $100,000,000.

The Term Loan matures in 2029. The Revolving Loan commitment matures in 2027. Commencing 30 September 2022, the Term Loan is scheduled to be repaid on the last day of each March, June, September and December in the quarterly amount of $1,213,000 prior to the Term Loan maturity date. The Term Loan bears interest at a rate that fluctuates with Adjusted Term SOFR, plus a Spread of 3.75% or 4.00% based upon the first lien net leverage ratio. The actual rate per 31 December 2022 was 7.67%. The Revolving Loan bears interest at a rate that fluctuates with Adjusted Term SOFR, plus a Spread between 1.50% to 2.00% based on quarterly average excess availability. The weighted average rate as of 31 December 2022 was 5.88%.

The Company will pay a commitment fee of 0.375% on the average daily unused commitments under the revolving credit facility. The Company is also required to pay customary letter of credit fees, as well as fronting fees, to banks that issue letters of credit. Borrowings may be voluntarily prepaid without premium and penalty at any time. The Term Loan also provides for various mandatory prepayments Substantially all of the Company's assets are pledged as collateral against the obligations under the Credit Agreement. As per the Credit Agreement, the Company agrees to certain affirmative and negative covenants. The Company was in compliance with all financial covenants as of 31 December 2022 and 2021 respectively. In an event of a default in regard to principal and/or interest, the Company will be responsible for 2.0% plus the rate applicable to the Annual Base Rate Loan of the overdue amount. At year end 31 December 2022 the Company borrowed $37,300,000 from the revolving credit facility and has available borrowing capacity of $62,700,000. There were no outstanding letters of credit at 31 December 2022.

23. INTEREST BEARING LOANS (continued)

The below table sets out the aggregate maturities of the principal amounts of the Company's long term debt based on the contractual maturities at 31 December 2022, for each of the next five years, and thereafter is as follows as of 31 December

	2022
	$'000
2023	4,850
2024	4,850
2025	4,850
2026	4,850
2027	4,850
After five years	458,325
Total	482,575
Less. debt issuance and discount fees	(18,380)
Total	464,195
Short term	(4,850)
Total long term debt	**459,345**

Deferred Financing Costs

Deferred debt financing costs are included in "Long-term debt" in the Consolidated Balance Sheets. These costs are amortised over the life of the related debt or credit facility using the effective interest method. Upon extinguishment of any debt, the related debt issuance costs are written off.

The Company accounted for a realised foreign exchange gain on the debt of $2,753,000 at 31 December 2022. The Company accounted for an unrealised foreign exchange gain on the debt of $4,805,000 at 31 December 2021.

24 DEFERRED TAX ASSETS AND LIABILITIES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. The amounts concerned at 31 December 2022 and 2021 are as follows

	2022	2021
	$'000	$'000
Deferred tax assets		
Deferred tax assets to be recovered within 12 months	9,691	9,096
Deferred tax assets to be recovered after more than 12 months	10,206	1,496
Total deferred tax assets	**19,897**	**10,592**
Deferred tax liabilities		
Deferred tax assets to be recovered within 12 months	(1,133)	(92)
Deferred tax assets to be recovered after more than 12 months	(35,432)	(24,659)
Total deferred tax liabilities	**(36,565)**	**(24,751)**
Deferred tax liabilities net	**(16,668)**	**(14,159)**

24. DEFERRED TAX ASSETS AND LIABILITIES (continued)

The gross movement on the deferred income tax account is as follows at year ended 31 December 2022 and period from 7 October 2020 to 31 December 2021.

							31 December 2022
	Opening balance	**GP business acquisition**	**Deferred tax in OCI**	**Change to income statement**	**Rate change**	**Exchange differences**	**Ending balance**
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Assets							
Net operating loss carry forwards	1,496	4,521	-	3,360	-	186	9,563
Interest limitations	-	-	-	(440)	898	17	475
Accrued payroll	4,769	-	(3,846)	4,195	69	(435)	4,752
Reserves and other accruals	334	-	-	211	30	-	575
Bad debt	13	-	-	-		-	13
Prepaid	365	-	-	(364)	-	(1)	-
Goodwill	-	-	-	168	-	-	168
Other DTA	-	-	-	125	420	-	545
Accrued expenses	3,615	-	-	84	241	(134)	3,806
Deferred tax assets	**10,592**	**4,521**	**(3,846)**	**7,339**	**1,658**	**(367)**	**19,897**
Liabilities							
Property, plant and equipment	(21,271)	(4,627)	-	(4,282)	(444)	1 087	(29,537)
Goodwill	(267)	-	-	711	(449)	5	-
Intangible assets	(3,121)	(3,998)	-	945	-	229	(5,945)
Prepaids	-	-	-	(406)	(46)	(1)	(453)
Others	(92)	-	-	(536)	(1)	(1)	(630)
Deferred tax liabilities	**(24,751)**	**(8,625)**	**-**	**(3,569)**	**(939)**	**1,319**	**(36,565)**
Deferred tax liabilities net	**(14,159)**	**(4,104)**	**(3,846)**	**3,771**	**719**	**952**	**(16,668)**

						31 December 2021
	Opening balance	**PSR business acquisition**	**Change to income statement**	**Rate change**	**Exchange differences**	**Ending balance**
	$'000	$'000	$'000	$'000	$'000	$'000
Assets	-					
Net operating loss carry forwards	-	1,162	568	-	(234)	1,496
Accrued payroll	-	5,380	(148)	-	(463)	4,769
Reserves and other accruals	-	-	334		-	334
Bad debt	-	-	13	-	-	13
Prepaid	-	552	(161)	-	(26)	365
Accrued expenses	-	1,958	1,707	57	(107)	3,615
Deferred tax assets	**-**	**9,052**	**2,313**	**57**	**(830)**	**10,592**
Liabilities						
Property, plant and equipment	-	(19,984)	(476)	(1,650)	839	(21,271)
Goodwill		-	(269)	-	2	(267)
Intangible assets	-	(3,070)	(199)	-	148	(3,121)
Others	-	(60)	(37)	-	5	(92)
Deferred tax liabilities	**-**	**(23,114)**	**(981)**	**(1,650)**	**994**	**(24,751)**
Deferred tax liabilities net	**-**	**(14,062)**	**1,332**	**(1,593)**	**164**	**(14,159)**

24. DEFERRED TAX ASSETS AND LIABILITIES (continued)

Deferred income tax assets are recognized to the extent that the realisation of the related tax benefit through future taxable profit is probable. The Company did not recognize deferred income tax assets of $21,622,000 (2021: $11,808,000) mainly in respect of tax losses amounting to $9,563,000 (2021: $5,517,000), primarily arising in Germany, Spain and the US, that may be carried forward against future taxable income, as the likely timing of recovery is considered uncertain.

Examination of Tax Returns
The Company conducts business globally, and, as a result, certain of its subsidiaries file income tax returns in foreign jurisdictions. In the normal course of business, the Company is subject to examinations by taxing authorities throughout the world, including major jurisdictions such as Argentina, Chili, Finland, Germany, Italy, Spain and the United Kingdom.

With minor exceptions, the Company's closed tax years for major jurisdictions are years prior to: 2018 for Argentina, 2016 for Chili, 2016 for Finland, 2017 for Germany, 2018 for Italy, 2017 for Spain and 2018 for the United Kingdom.

Unrecognised tax benefits
As of 31 December 2022 the Company had recorded a liability for unrecognised tax benefits, including its accrual for interest and penalties, of $530,000 (2021: $480,000). The Company does not expect a significant increase or decrease in uncertain tax positions within the next 12 months.

25. EMPLOYEE BENEFIT OBLIGATIONS

Employee benefit obligations consisted of the following as of 31 December 2022 and 2021:

	2022	2021
	$'000	$'000
Non-current		
Defined benefit plan pension provision	20,724	33,145
Other plans	326	224
Jubilee plans	530	749
Other long term liabilities	12	24
Total non-current employee benefit obligations	**21,592**	**34,142**
Current		
Pension provision	247	189
Other plans	169	58
Accrued bonuses	6,817	9,827
Accrued vacation reserve	2,354	1,966
Accrued other employee benefit obligations	2,730	1,117
Total current employee benefit obligations	**12,317**	**13,157**
Balance as at 31 December	**33,909**	**47,299**

25.1 Pension and Other Non-Pension Postretirement Benefit Liabilities

The Group sponsors defined benefit pension plans in Germany and Italy in which certain employees of the Group participate. Benefits under these plans are generally based on eligible compensation and /or years of credited service. Retirement benefits in other foreign locations are primarily structured as defined contribution plans.

Pension and other non-pension postretirement benefit ("OPEB") assumptions are significant inputs to the actuarial models that measure pension and OPEB benefit obligations and related effects on operations. The Company evaluates critical assumptions at least annually on a plan and country-specific basis The Company periodically evaluates other assumptions involving demographic factors, such as retirement age mortality and turnover, and updates them to reflect the Company's experience and expectations for the future. Actual results n any given year will often differ from actuarial assumptions because of economic and other factors.

Accumulated and projected benefit obligations are measured as the present value of future cash payments. The Company discounts these cash payments using a split-rate interest approach. This approach uses multiple interest rates from market-observed forward yield curves which correspond to the estimated timing of the related benefit payments. Lower discount rates increase present values and higher discount rates decrease present values.

Upon the Company's annual remeasurement of its pension and OPEB liabilities in the fourth quarter, or on an interim basis as triggering events warrant remeasurement, the Company immediately recognizes gains and losses as a mark-to-market ("MTM") gain or loss through other comprehensive income. As such, the Company's net periodic pension and OPEB expense consists of i) service cost, interest cost and prior service cost/credits recognised on a quarterly basis and ii) MTM adjustments recognised annually in the fourth quarter upon remeasurement of pension and OPEB liabilities or when triggering events warrant remeasurement.

25. EMPLOYEE BENEFIT OBLIGATIONS (continued)

25.1 Pension and Other Non-Pension Postretirement Benefit Liabilities (continued)

The movement in the pension liability and pension expenses can be broken down as follows:

	Pension plan	Other plans	Total
	$'000	$'000	$'000
Balance on incorporation	-	-	-
PSR business acquisition	37,083	310	37,393
Current service cost	1,015	-	1,015
Interest expense	165	-	165
Total amount recognised in income statement	**1,180**	-	**1,180**
Remeasurement gains for change in actuarial assumptions	(3,894)	-	(3,894)
Experience losses	563	-	563
Total amount recognised in other comprehensive income	**(3,331)**	-	**(3,331)**
Benefits paid directly by employer	(24)	-	(24)
Other adjustments	596	(8)	588
Currency translation adjustments	(2,170)	(20)	(2,190)
Balance as at 31 December 2021	**33,334**	**282**	**33,616**
Georgia Pacific business acquisition	-	93	93
Current service cost	1,267	-	1,267
Interest expense	366	-	366
Total amount recognised in income statement	**1,633**	-	**1,633**
Remeasurement gains for change in actuarial assumptions	(11,098)	-	(11,098)
Experience gains	(617)	-	(617)
Total amount recognised in other comprehensive income	**(11,715)**	-	**(11,715)**
Benefits paid directly by employer	(222)	-	(222)
Other adjustments	-	141	141
Currency translation adjustments	(2,059)	(22)	(2,081)
Balance as at 31 December 2022	**20,971**	**494**	**21,465**

The weighted average rates to determine the benefit obligation was as follows at year end:

	2022		2021	
	Germany	**Italy**	**Germany**	**Italy**
Discount rate	3.62%	3.9%	1.29%	0.86%
Rate of compensation increase	3.00%	-	3.00%	-

25. EMPLOYEE BENEFIT OBLIGATIONS (continued)

The weighted average rates to determine the benefit cost was as follows at year end

	2022		2021	
	Germany	Italy	Germany	Italy
Discount rate	1.29%	0.86%	0.83%	-
Rate of compensation increase	3.00%	-	3.00%	-

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is.

	Germany	Italy
	$'000	$'000
Increase of discount rate by 100 basis points	(4,117)	(29)
Decrease of discount rate by 100 basis points	5,552	37
Increase of salary increase rate by 50 basis points	188	-
Decrease of salary increase rate by 50 basis points	(182)	-
Increase of pension increase rate by 25 basis points	865	-
Decrease of pension increase rate by 25 basis points	(820)	-
Life expectancy increase by 1 year	636	-
Life expectancy decrease by 1 year	(653)	-

The following table shows the breakdown of the defined benefit obligation by country.

	Year ended 31 December 2022	Period from 7 October 2020 to 31 December 2021
	$'000	$'000
Germany	20,057	32,069
Italy	914	1,265
Total defined benefit obligation	**20,971**	**33,334**

26. PROVISIONS

Provisions consisted of the following as of 31 December 2022 and 2021

	2022	2021
	$'000	$'000
Non-current		
Contingent consideration	-	10,746
Environmental reserve	1,862	1,588
Other long term liabilities	735	814
Uncertain tax positions reserve	480	523
Total non-current provisions	**3,077**	**13,671**
Current		
Contingent consideration	-	1,387
Environmental reserve	126	145
Restructuring reserve	1,409	2,381
Other current provisions	117	124
Total current provisions	**1,652**	**4,037**
Balance as at 31 December	**4,729**	**17,708**

26.1 Contingent consideration

The following table summarises the movement in the contingent consideration during the year/period:

	Year ended 31 December 2022	Period from 7 October 2020 to 31 December 2021
	$'000	$'000
Contingent consideration		
Balance on incorporation/1 January	12,133	-
PSR Business acquisition	-	13,200
Additions	7,867	-
Unused amounts reversed	-	(713)
Reclassification to short term liabilities	(20,000)	-
Currency translation adjustments	-	(354)
Balance as at 31 December	**-**	**12,133**
Current	-	1,387
Non-current	-	10,746
Balance as at 31 December	**-**	**12,133**

On 30 April 2021, the Group completed the purchase of all of the assets of the PSR Business from Hexion. The contingent consideration was based on the performance of the Group over the 32 months period after completion of the sale. At 31 December 2021, the Group has determined the fair value of the contingent consideration to be $12 133,000, a reduction of $713,000 from the acquisition date.
At 31 December 2022, the Group adjusted the contingent consideration to the final settlement amount of $20 000,000. The contingent consideration was reclassified from long term and short term provision to current liabilities in 2022 as it will be paid in 2023 in accordance with the final settlement agreement dated 24 March 2023. The $7,867,000 additional amount has been charged to Sales, general and administrative expenses within the Income Statement. From the amount of $20,000,000, $14 000,000 has been paid out in March 2023. $6,000,000 will be paid out in September 2023.

26. PROVISIONS (continued)

26.2 Environmental reserve

The following table summarises the movement in the environmental reserve during the year/period:

	2022	2021
	$'000	$'000
Environmental reserve		
Balance on incorporation/1 January	1,733	-
PSR Business acquisition	-	1,637
Additional provision	865	164
Release of provision	(207)	-
Used amounts during the year/period	(375)	(46)
Currency translation adjustments	(28)	(22)
Balance as at 31 December	**1,988**	**1,733**
Current	126	145
Non-current	1,862	1,588
Balance as at 31 December	**1,988**	**1,733**

The Group recognises a liability for environmental remediation when it believes it is probable that a liability has been incurred and the amount can be reasonably estimated. The liabilities are developed based on currently available information and are recorded at undiscounted amounts. While the Group cannot reasonably estimate potential liabilities beyond those recorded, it is possible that additional liabilities may exist and become known in the future.

Georgia Pacific Phenolics Business

The Group is involved in environmental remediation activities at two sites acquired through the Georgia Pacific's Phenolics Business acquisition, where there have been notifications that the Group is a potentially responsible party ("PRP") under the United States Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") or similar state "superfund" laws. Remediation activities include monitoring of natural attenuation and potential future closure of the "bio-pond" at one of the two facilities. The ultimate costs to the Group for the investigation, remediation and monitoring of many of these sites cannot be predicted with certainty, due to the often unknown nature and magnitude of the pollution or the necessary cleanup the varying costs of alternative cleanup methods, the amount of time necessary to accomplish the cleanups, the evolving nature of cleanup technologies and governmental regulations, all of which factors are taken into account to the extent possible in estimating its liabilities. The Group has reserved $795,000 at 31 December 2022.

ACME site North Carolina

The Group has a reserve in the US for soil excavation and monitored natural attenuation for groundwater, and capping and grading the on-site monofill if the excavated soil can be disposed in the monofill. The reserve refers to the Wright Chemical Corporation Superfund site. The EPA placed the Acme, NC site and surrounding area (a total of more than 758 acres) on the Superfund program National Priorities List ("NPL") in 2011. The Group has reserved a self-asserted 1/3 share of the estimated remediation costs amounting to $1,154,000 at 31 December 2022 (2021: $1,400 000).

Solbiate site Italy

Soil and groundwater contamination were discovered in August 1998 at the Group's facility in Italy. The contamination relates to the cumene manufacturing plant located on the east portion of the site, which ceased in 1969, and phenol production plant, which ceased in 1992. The former owner performed significant remediation between 1999 and 2016, when the agency determined that no further soil remediation was needed, although continued groundwater monitoring and containment is needed. Groundwater containment is performed using current

26. PROVISIONS (continued)

on-site industrial wells and 4 separately constructed extraction wells, along with collection trench. During the fiscal year the reserve was released. The Group has no reserve at 31 December 2022 (2021: 300,000).

Hernani site Spain

In Spain, baseline sampling occurred in early 2019 and detected elevated localised concentrations of total petroleum hydrocarbons ("TPH") in soil and groundwater, and arsenic, naphthalene, fluoranthene, PCB, formaldehyde, phenanthrene, copper, mercury and benzene in groundwater. TPH was suspected to result from motor oil, and the formaldehyde concentrations were near the formaldehyde storage area. The source of naphthalene and PCB do not appear to be from on-site activities. Periodic soil and groundwater monitoring is required. The Group has reserved $39,000 at 31 December 2022 (2021 $100,000).

26.3 Uncertain tax positions reserve

As of 31 December 2022 and 2021 the Group had recorded a liability for unrecognised tax benefits, including its accrual for interest and penalties. The Group does not expect a significant increase or decrease in uncertain tax positions within the next 12 months.

	Year ended 31 December 2022	Period from 7 October 2020 to 31 December 2021
	$'000	$'000
Uncertain tax positions reserve		
Balance on incorporation/1 January	523	-
Business acquisition	-	1,934
Used amounts during the year	(5)	(1,374)
Currency translation adjustments	(38)	(37)
Balance as at 31 December	**480**	**523**

26.4 Restructuring reserve

At 31 December 2022 the Group had a reserve of $1,409,000 (2021: $2,381,000) related to severance costs and other related expenses. The reserve is aimed at facilities in Germany, Great Britain and the US. The restructuring program in Germany is for reducing research and development activities. The reserve in Great Britain is for restructuring the manufacturing activity in Europe. In the US the Group has a reserve to restructure the manufacturing activities in light of the acquisition of Georgia-Pacific. The Group recorded $5,123,000 of restructuring expenses for the year ended 31 December 2022 (2021. $3,738,000).

	Year ended 31 December 2022	Period from 7 October 2020 to 31 December 2021
	$'000	$'000
Restructuring reserve		
Balance on incorporation/1 January	2,381	-
PSR Business acquisition	-	64
Additional provision	1,755	3,532
Unused amounts reversed	(257)	(689)
Used amounts during the year	(2,422)	(452)
Currency translation adjustments	(48)	(74)
Balance as at 31 December	**1,409**	**2,381**

27. TRADE AND OTHER PAYABLES

Trade and other payables consisted of the following as of 31 December 2022 and 2021:

	2022	2021
	$ 000	$'000
Trade payables	122,710	103,671
Other payables	1,257	541
Total trade and other payables	**123,967**	**104,212**

The carrying amounts of trade and other payables are considered to be the same as their fair values due to the short-term nature. Trade payables are unsecured and are usually paid within 30 days of recognition.

28. OTHER CURRENT LIABILITIES

Other current liabilities consisted of the following as of 31 December 2022 and 2021:

	2022		2021	
	Group	Company	Group	Company
	$'000	$'000	$'000	$'000
Contingent consideration	20,000	-	-	-
Accrued customer rebates	3,102	-	4,023	-
Accrued professional services	1,226	-	870	8
Accrued utilities	372	-	1,298	-
Payroll taxes	3,405	-	2,895	-
VAT	1,673	-	2,456	-
Accrued other taxes	1,915	-	1,014	-
Other current liabilities	3,975	-	2,165	-
Total other current liabilities	**35,668**	**-**	**14,721**	**8**

The carrying amounts of other current liabilities are considered to be the same as their fair values due to the short-term nature.

29. SHARE CAPITAL AND SHARE PREMIUM

Movements in Share Capital and Share Premium consisted of the following at year ended 31 December 2022 and period from 7 October 2020 to 31 December 2021

	Number of shares	Par value	Share premium	Total
On incorporation 7/10/2020	100,000	£100,000	-	£100,000
Allotment of shares 12/11/2020	100,000	£100,000	-	£100,000
Consolidation of shares 22/4/2021	400	£200,000	-	£200,000
Redenomination of shares 22/4/2021	400	$276,800	-	$276,800
Subdivision of shares 22/4/2021	276,800	$276,800	-	$276,800
Allotment of shares 28/4/2021	1,681,232	$1,681,232	$166,441,968	$168,123,200
Balance as at 31 December 2021	**1,958,032**	**$1,958,032**	**$166,441,968**	**$168,400,000**
Allotment of shares 27/05/2022	1,540,400	$1,540,400	$136,459,600	$138,000,000
Balance as at 31 December 2022	**3,498,432**	**$3,498,432**	**$302,901,568**	**$306,400,000**

29.1 Share Capital

Share Capital consists of 3,498,432 (2021: 1,958,032) shares with a nominal value of $1 per share. 3,498,432 shares were authorised to be issued. The total Share Capital has been fully paid. The shares have attached to them full voting, dividend and capital distribution rights, they do not confer any rights of redemption. The following entities owned by Black Diamond Capital Management, LLC and Investindustrial Investment Holdings S.à.r.l. hold the following number of shares:

Shareholder	Number of shares 2022	2021
Fusion Investment S.à.r.l.	1,749,216	979,016
Fusion BD Opportunity Fund V Holdings LLC	1,410,290	856,639
Fusion BD Opportunity Fund IV Holdings LLC	338,926	122,377
Total	**3,498,432**	**1,958,032**

29. SHARE CAPITAL AND SHARE PREMIUM (continued)

29.2 Share premium

On 27 May 2022, Black Diamond Capital Management, LLC and Investindustrial Investment Holdings S.a.r.l. invested $136,459,600 into the Group. On 30 April 2021, Black Diamond Capital Management, LLC and Investindustrial Investment Holdings S.a.r.l. invested $166,442,000 into the Group. The amounts have been accounted for as Share premium. The below table shows the total invested amounts per company in actual amounts as at 31 December 2022 and 2021:

			31 December 2022
Shareholder	**Share Capital**	**Share premium**	**Total**
	$'000	$'000	$'000
Fusion Investment S.à.r.l.	1,749	151,452	153,201
Fusion BD Opportunity Fund V Holdings LLC	1,410	121,864	123,274
Fusion BD Opportunity Fund IV Holdings LLC	339	29,586	29,925
Total	**3,498**	**302,902**	**306,400**

			31 December 2021
Shareholder	**Share Capital**	**Share premium**	**Total**
	$'000	$'000	$'000
Fusion Investment S.à.r.l.	979	83,222	84,201
Fusion BD Opportunity Fund V Holdings LLC	857	72,818	73,675
Fusion BD Opportunity Fund IV Holdings LLC	122	10,402	10,524
Total	**1,958**	**166,442**	**168,400**

30. STOCK APPRECIATION RIGHTS PLAN (SARs)

Effective 1 May 2021, the Company adopted the Bakelite Synthetics Stock Appreciation Rights Plan ("the Plan") pursuant to which the Company's board of directors (Administrator) shall select officers, key employees, directors of the Company or any of its Subsidiaries to participate in the plan. The Plan shall be administered by the Administrator. The Administrator is the Board or a duly appointed committee of the Board.

Subject to the limitations of this Plan, the Administrator shall have the sole and complete authority to: (i) select Participants, (ii) grant SARs to Participants in such amounts as it determines, (iii) determine Fair Market Value and Grant Price, (iv) impose such limitations, restrictions and conditions upon such SARs not inconsistent with the terms of this Plan, as it deems appropriate, (v) determine the extent to which performance conditions set forth in any Award Agreement have been achieved, (vi) interpret this Plan and adopt, amend and rescind administrative guidelines and other rules and regulations relating to this Plan, (vii) correct any defect or omission or reconcile any inconsistency in this Plan or in any SARs granted hereunder or in any Award Agreement executed pursuant to this Plan and (viii) make all other determinations and take all other actions necessary or advisable for the implementation and administration of this Plan

The Administrator shall have the sole discretion to determine whether to deliver cash or shares of share capital (or a combination thereof) upon the exercise of a SARs, which sole discretion may be exercised at the time of such exercise. The Administrator's determinations on matters within its authority shall be conclusive and binding upon the Participants, the Company, its Subsidiaries and all other Persons. All expenses associated with the administration of this Plan shall be borne by the Company. The Administrator may, to the extent permitted by law and the Company's articles of incorporation and by-laws, delegate any of its authority hereunder to a committee of the Administrator or such other Person(s) as it deems appropriate. Any such delegation shall be for such period and upon such terms and conditions as determined by the Administrator from time to time.

The Plan allowed for the issuance of 144,723 SARs granted for the year ended 31 December 2022 (2021: 131,953) Each Stock Appreciation Right shall be evidenced by an Award Agreement specifying the number of SARs granted, the Grant Price, the Grant Date, the vesting schedule and such other terms and conditions, including performance conditions (if any), not inconsistent with the terms of this Plan as the Administrator, in its sole discretion, shall determine. All stock rights have a term not greater than fifteen years. SARs vest and become exercisable in whole or in part, in accordance with vesting conditions set by the Company's board of directors. Options granted to date generally vest over four years from the date of grant

Share-based expense is recognised as a component of selling general, and administrative expense. The Company measures and records expense related to all stock awards based on the grant date fair value of the awards. Expense for the service based options is recognised over the requisite service period. If grants are equity-treated then the offset to expense is equity. Expense related to service options was $1,277 000 in 2022 (2021: $13,000). The fair value of each option award granted to an employee with SARs is estimated on the date of grant. The Company has service based SARs outstanding as of 31 December 2022 and 2021.

For the year ended 31 December 2022 and 2021, the fair values of the SARs were estimated using the Black-Scholes option pricing model Determining fair value using the Black-Scholes option valuation model involves the following:

- Valuation and amortisation method: Fair value is estimated each reporting period using the Black-Scholes option valuation model. The Company amortises the fair value on a straight-line basis over the vesting period.
- Expected term: The Company estimates the expected term to be the remaining contract term.
- Volatility: The Company estimates the volatility of its share capital by measuring the weighted-average historical volatility of the share capital prices of certain identified peer or comparable companies that are publicly traded and that have a stock price history that is appropriate to the term that the Company is measuring.

30. STOCK APPRECIATION RIGHTS PLAN (SARs) (continued)

- Risk-free interest rate. The risk-free interest rate that the Company uses in the Black-Scholes option valuation model is the implied yield in effect based on U.S Treasury zero-coupon, with a remaining term approximately *equivalent to the expected term of the grants*
- Dividend yield: The Company does not anticipate paying any routine periodic cash dividends on share capital in the foreseeable future. Consequently, a dividend yield of zero in the Black-Scholes option valuation model is used.
- Estimating forfeitures The Company recognises forfeitures when they occur.

Variables used to determine the fair value of the awards granted during those respective periods are as follows:

	Year ended 31 December 2022	*Period from 7 October 2020 to 31 December 2021*
Expected dividends	-%	-%
Expected volatility	35%	35%
Risk free interest rate	3.2%	2.2%
Expected life	8.75 years	8.75 years

To estimate the expected SARs referred to above, Bakelite Synthetics primarily used the simplified method as the awards were granted at fair value and Bakelite Synthetics, a privately-held company, has no exercise history. Based upon this simplified method the options have an expected term of 8.75 years. Expected life calculations for Service Options granted during the year ended 31 December 2022 and 2021 reflect the simplified method, adjusted to reflect measurement periods that are aligned with annual reporting periods. The risk-free rates for periods within the expected life of the awards are based on the U.S. Treasury yield curve in effect at the time of grant.

Bakelite Synthetics does not anticipate paying cash dividends in the foreseeable future and, therefore, use an expected dividend yield of zero. Volatility is based upon peer groups as the Company is privately-held. As Bakelite Synthetics is not publicly traded, the market value of the stock was estimated based upon either the Acquisition transaction, third-party valuations, or a combination thereof.

SARs activity for Service Options for the year ended 31 December 2022 and 2021 is as follows:

Service options	Options	Weighted average exercise price	Weighted average remaining contractual life (years)	Aggregate intrinsic value
		$		$
Balance at incorporation	-	-	-	-
Granted	131,953	79.12	8.75	35.91
Exercised	-	-	-	-
Expired forfeited	-	-	-	-
Outstanding as of 31 December 2021	**131,953**	**79.12**	**8.75**	**35.91**
Granted	12,770	79.12	8.75	38.02
Exercised	-	-	-	-
Expired forfeited	-	-	-	-
Outstanding as of 31 December 2022	**144,723**	**79.12**	**8.75**	**36.10**

The per-share weighted average grant-date fair value of awards granted during the year ended 31 December 2022 was $36.10 (2021: $35.91). As of 31 December 2022 there was approximately $3,933,000 (2021: $4,725,000) of total

30. STOCK APPRECIATION RIGHTS PLAN (SARs) (continued)

unrecognised compensation cost related to non-vested share-based compensation arrangements for service based awards. The cost is expected to be recognised over a period of 4 years for service based awards. At 31 December 2022, 32.988 grants were exercisable (2021. 0).

31. CASH GENERATED/(USED IN) OPERATIONS

	Year ended 31 December 2022		Period from 7 October 2020 to 31 December 2021	
	Group	Company	Group	Company
	$'000	$'000	$'000	$'000
(Loss)/Profit before tax	(57,763)	61	(32,063)	(1)
Adjustments for				
Current service cost – employee benefit obligation	1,387	-	1,180	-
Depreciation and amortisation	49,915	-	16,358	-
Loss on sale of assets	776	-	721	-
Depreciation on right-of-use assets	4,444	-	2,620	-
Income from investments accounted for on the equity method	(4,674)	-	(2,483)	-
Unrealised foreign exchange gain	(1,385)	(39)	(5,019)	-
Foreign exchange gain on retirement of long term debt	(2,752)	-	-	-
Amortisation of debit discount and financing fees	2,109	-	1,288	-
Change in fair value of contingent consideration	7,867	-	(713)	-
Amortisation of inventory step up	2 120	-	3,575	-
Loss on extinguishment of debt	6,452	-	-	-
Stock based compensation expense	1 290	-	-	-
Net finance cost	26,395	-	9,515	-
Changes in working capital				
Accounts receivable	25,819	-	(9,890)	-
Inventories	8,218	-	(25,725)	-
Accounts payable	(36,544)	-	30,243	-
Other assets, Current and Noncurrent	345	(30)	(2,015)	-
Other liabilities, current and non-current	(7,026)	4	10,183	-
Net cash generated from/(used in) operations	**26,993**	**(4)**	**(2,225)**	**(1)**

In the statement of cash flows, proceeds from the sale of property, plant and equipment comprise:

Group	Year ended 31 December 2022	Period from 7 October 2020 to 31 December 2021
	$'000	$'000
Net book value	776	1,624
Loss on the disposal of property, plant and equipment	(776)	(721)
Proceeds from disposal of property, plant and equipment	**-**	**903**

Non-cash transactions
The Non-cash transactions were the contingent consideration and the capital expenditures included in accounts payable.

32. RELATED PARTY TRANSACTIONS

Transactions with Joint Ventures
The Group buys electricity services from the Joint Venture Liimaniemen Saehkoeliittymae Oy in Finland. Purchases were $1,144,000 for the year ended 31 December 2022 (2021: $805,000) and are included in the income statement Accounts payable to joint ventures and accounts receivable from joint ventures were zero as at 31 December 2022 (2021: $0). The Group has a loan receivable outstanding with the operating company Bakelite Shchekinoazot OOO located in Russia. The loan amounts to $1,252,000 at 31 December 2022 (2021: $3,370,000).

Transactions with Shareholders
At 31 December 2022, the Group has an accrual of $5,000,000 for management fees payable to Shareholders, which is included in other payables in the consolidated statements of financial position. The full amount of $5,000,000 was recognized as expense during the year ended 31 December 2022, and is recorded under other operating expenses in the consolidated income statement

On 12 April 2021, the Group signed an agreement with its shareholders for the CFIUS indemnification of $1,000,000. The clearance was one of the conditions for the purchase of the PSR business.

Transactions with Group companies
At 31 December 2022 and 2021 the Company has an intercompany balance outstanding with Bakelite UK Holding Ltd. Reference is made to note 20.

Remuneration of key management personnel
The key management personnel are considered as the directors of the Company only. At 31 December 2022, the Group has an accrual of $352,000 for board fees payable to board members (2021: $690,000), which is included in 'current liabilities' in the consolidated statements of financial position. $515,000 was paid out during 2022 related to the board fees of 2022. $519,000 was paid out during 2022 related to the board fees of 2021 The full amount of $690,000 was recognised as expense during the year ended 31 December 2022 and 2021 and is recorded in the Consolidated income statement.

33. SUBSEQUENT EVENTS

Acquisition of LRBG Chemicals, Inc in Canada
On 28 August 2023 the Company announced the purchase of the assets of LRBG Chemicals business in Canada. LRBG Chemicals, Inc manufactures high-quality resins and derivative products that are used in a wide variety of applications serving the building and construction, transportation, industrial and chemical intermediate markets worldwide. Its plants, knowledge and experience have been developed over the last 80 years and it has a customer-driven research and development focus with strong technical knowledge and support, closely aligned to Bakelite Synthetics business model. It employes approximately 50 people.

The transaction closed on 31 August 2023. The aggregate purchase price will be CAD 55,000,000 in cash plus the estimated closing adjustment.

34. FINANCIAL RISK MANAGEMENT

Objectives and policies

The Company's principal financial assets comprise of trade receivables and cash. The Company's principal financial liabilities comprise of interest bearing loans, trade payables, lease liabilities and contingent consideration. The main purpose of these financial liabilities is to raise finance for the Company's ongoing operations.

The main risks arising from the Company's financial instruments are cash flow interest rate risk, liquidity risk, and credit risk. The Company's approach to managing such risks, and the nature of the Company's control environment is detailed within the strategic report.

Financial instruments

Financial assets	**Note**	**Group**	**Company**	**Group**	**Company**
			2022		**2021**
		$000	$000	$000	$000
At amortised cost:					
Security deposits		3,045	-	2,085	-
Loans to affiliates	16	1,252	-	3,371	-
Trade receivables	21	136,448	-	98,151	-
Cash and cash equivalents	22	16,787	-	12,847	4
Total		**157,532**	**-**	**116,454**	**4**

Financial liabilities	**Note**	**Group**	**Company**	**Group**	**Company**
			2022		**2021**
		$000	$000	$000	$000
At amortised cost:					
Interest bearing loans	23	501,495	-	172,420	-
Lease liabilities	14	12,115	-	6,229	-
Trade and other payables	27	123,967	-	104,212	-
At fair value through profit and loss:					
Contingent consideration	26	-	-	12,133	-
Total		**637,577**	**-**	**294,994**	**-**

The Group and Company's activities expose it to a variety of financial risks: credit risk, market risk (foreign exchange risk and interest rate risk), liquidity risk and capital risk and fair value risk. The Group and Company's overall risk management program focuses on the unpredictability of the financial markets and seeks to minimise the potential adverse effects on the Group and Company's financial performance. The Group and Company do not use derivative financial instruments to hedge risk exposures. Risk management is carried out by the finance team. It evaluates and mitigates financial risks in close cooperation with the Group's operating units. The Board provides principles for overall risk management whilst the finance team provides specific policy guidance for the operating units in terms of managing foreign exchange risk, credit risk and cash and liquidity management.

Credit risk
Financial instruments that potentially subject the Group to concentrations of credit risk are primarily accounts receivable. Concentrations of credit risk for accounts receivable are limited due to the large number of customers in the Group's customer base and their dispersion across many different industries and geographies. The Group generally does not require collateral or other security to support customer receivables. Reference is made to note 21.

34. FINANCIAL RISK MANAGEMENT (continued)

Market risk
Market risk arises from the Group's use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

Foreign exchange risk
The Group and Company's presentational currency is the US dollar although the Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily between GBP, USD and the Euro, such that the Group's cash flows are affected by fluctuations in the rate of exchange between USD and the aforementioned foreign currencies. Fluctuations in exchange rates between the Group's functional currency of the US Dollar and the currency of the overseas operations could adversely impact the financial results. In most cases the Group matches the currency receipts and expenditure of the overseas operations.

Management does not use derivative financial instruments to mitigate the impact of foreign exchange currency exposure not mitigated by the natural hedge. The Group and Company do not speculate in foreign currencies. The principal exchange rates used by the Group and Company in translating overseas profits and net assets in to USD are set out in the table below

Rate compared to USD	**Average rate 2022**	**Year end 2022**	**Average rate 2021**	**Year end 2021**
IND	0.0126	0.0120	0.0134	0.0134
Euro	1.0327	1.0661	1.1684	1.3223
GBP	1.1953	1.2052	1.3704	1.3494

The Group's exposure to foreign currency risk at the end of the reporting year are set out in the table below:

Exposure			**2022**				**2021**
	EUR	**GBP**	**USD**	**CAD**	**EUR**	**GBP**	**USD**
	€'000	£'000	$'000	C$'000	€'000	£'000	$'000
Trade receivables	3,054	141	5,516	531	4,486	262	7,176
Cash and cash equivalents	1,648	-	4,017	-	3,620	-	383
Interest bearing loans	-	-	-	-	74,052	-	2,500
Trade payables	(6,803)	(27)	(4,340)	(14)	(9,190)	(364)	(6,280)

34. FINANCIAL RISK MANAGEMENT (continued)

Interest rate risk
The Group is exposed to cash flow interest rate risk from long-term borrowings at variable rate. It is currently group policy that group borrowings (excluding short-term overdraft facilities and lease liabilities) are fixed rate borrowings. This policy is managed centrally. Although the board accepts that this policy neither protects the Group entirely from the risk of paying rates in excess of current market rates nor eliminates fully cash flow risk associated with variability in interest payments, it considers that it achieves an appropriate balance of exposure to these risks. The Group does not use interest rate swaps.

Liquidity risk
Cash flow forecasting is performed in the individual operating entities of the Group and is aggregated by Group finance. Group finance monitors cash and cash flow forecasts and it is the Group and Company's liquidity risk management policy to maintain sufficient cash and available funding through an adequate amount of cash and cash equivalents and committed credit facilities from its bankers. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping sufficient cash and cash equivalents available to fund the requirements of the Group and Company.

Capital risk management
The Group and Company's objectives when managing capital are to safeguard the ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. In order to maintain an optimal capital structure the Group might decide to distribute dividend to shareholders, return capital to shareholders or issue new shares.

The Group and Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings) less cash and cash equivalents. Total capital is the sum of net debt or net cash plus equity.