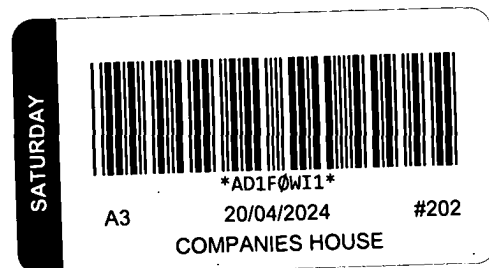


Black Cat Fireworks Limited

Annual report and consolidated financial statements for the year ended 31 December 2022

Company registered no: 1900841



Black Cat Fireworks Limited

Annual report and consolidated financial statements for the year ended 31 December 2022

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Black Cat Fireworks Limited

Board of directors and advisers

Officers and professional advisers

Directors

R Eickel

A W Brown

Company number

1900841

Registered office

Centenary House

Centenary Way

Salford

Manchester

M50 1RF

Independent auditors

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

1 Hardman Square

Manchester

M3 3EB

Black Cat Fireworks Limited

Strategic report for the year ended 31 December 2022

The directors present their strategic report for the year ended 31 December 2022.

Principal activities

The group's principal activity is that of importing, marketing and distribution of consumer products, predominantly fireworks and other seasonal products, although the directors are exploring opportunities to widen the product base.

Results and dividends

The group's profit for the financial year is £2,120,000 (2021: £400,000). The directors do not recommend the payment of a dividend (2021: £nil).

Review of business and future developments

The group has prepared consolidated financial statements for the first time, due to the Companies Act requirements, following the delisting of a parent undertaking. However, the group is not managed at this level on an operational basis but is managed on a wider group basis.

The group has ended the year in a net liability position. The directors are considering the possibility of recapitalising Black Cat Fireworks Limited which would address this and put the group back in a net asset position. The results for the year ended 31 December 2022 are summarised as follows:

	Unaudited	
	2022	2021
	£'000	£'000
Operating profit	7,398	1,029
Net finance costs	(4,442)	(627)
Profit before taxation	2,956	402
Tax on profit	(836)	(2)
Profit for the financial year	2,120	400

Turnover increased by £24,895,000 compared to the previous year. The increase was primarily due to the German subsidiary being able to trade again in 2022 after Covid restrictions were lifted; in 2021 firework sales were banned in Germany and trading was limited only to a small number of permitted items. This also impacts any year on year comparison of margins, operating expenses and operating profit.

An application for German government Covid bridging aid was successful and other income includes £2,152,000 (2021: £7,454,000) in relation to this. Net finance costs increased mainly due to the full year impact of interest on the loan taken by the company in 2021 to allow it to recapitalise its subsidiary and £3,558,000 (2021: £120,000) foreign exchange loss on retranslation of the loan.

The group continues to focus on meeting customer expectations, by maintaining competitiveness and impeccable service levels. Developing ever stronger customer relationships remains a high priority within the business and the 2023 order book is in line with expectations.

Financial forecasts show that the group is able to remain a going concern. The group has access to sufficient funding to meet its working capital requirements and other committed payments.

Investment impairment – company

In line with the company's accounting policy, impairment testing was performed on its investment and this indicated an impairment of £2,305,000. This has been charged through the company's income statement in the year. The charge has no impact on the consolidated loss for the year as no goodwill on consolidation was carried in relation to the investment.

Black Cat Fireworks Limited

Strategic report for the year ended 31 December 2022 (continued)

Post balance sheet event

The following post balance sheet events are both treated as non-adjusting.

UK site move

On 30 December 2021 the company's landlord served notice on the company to vacate the UK premises by 30 December 2022. The lease had been operating on a one year rolling basis for some time, so this was not unexpected. Due to Health and Safety and firework licensing issues, the vacation date was extended to 30 April 2023.

A suitable new site was found and a lease was signed on 19 April 2023. This is a twelve year lease with break clauses in 2026, 2029 and 2032. Initial rent is £350,000 pa.

Expenditure relating to the move was as follows: one off move costs of £156,000 which have been booked through the profit and loss account in 2023; initial capital expenditure on the new site was £438,000 and this has been capitalised in the financial statements for the year ended 31 December 2023.

Property lease in Germany

Comet Feuerwerk GmbH has a ten year property lease running until 31 December 2028, with a five year break clause. At the outset of the lease, the group recognised the right of use asset and lease liability based on the five year non-cancellable lease period.

As at 31 December 2022, management were still considering whether to exercise the break clause, which had to be done by 30 June 2023. They were looking at other suitable properties and would have considered moving if a more commercially viable alternative had been found. The search continued into early 2023.

The lease continues to be accounted for as a five year lease as at 31 December 2022.

Subsequently, the break clause was not exercised and the group is now committed under the lease until 31 December 2028.

The resulting additional right of use asset and lease liability will be recognised in the accounts for the year ended 31 December 2023, the year in which the group became contractually committed to the additional five years.

Going concern

The group meets its day-to-day working capital requirements through its intercompany loan arrangements. The group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group should be able to operate within the level of its current cash reserves and borrowings. After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. The directors have received confirmation that Li & Fung (B.V.I.) Limited intends to support the group for at least one year from the date of signing these financial statements. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Key Performance Indicators

The performances of Black Cat Fireworks Limited and Comet Feuerwerk GmbH are measured on revenue, gross margin, and overhead cost control, as per the income statements of the separate entities.

The companies also have a number of non-financial measures, such as level of product innovation, employee well-being, customer satisfaction, logistics related and market share. Under normal circumstances these are useful measures for the business to monitor. However, given the huge impact of Covid, specifically in relation to the German business, the directors believe the presentation of the ratios relating to these non-financial measures are not meaningful for the years ending 31 December 2021 and 2022. In 2021 there was a firework trading ban in Germany and in 2022 the business was dealing with the aftermath of that.

Black Cat Fireworks Limited

Strategic report for the year ended 31 December 2022 (continued)

Financial risk management

The group's operations expose it to a variety of financial risks that include the effects of changes in debt market prices, price risk, credit risk, liquidity risk and interest rate cash flow risk. In conjunction with its parent group, Li & Fung Limited, the company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the group by monitoring levels of debt finance and the related finance costs.

Given the size of the group, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the Board. The policies set by the Board of directors are implemented by the group's finance department.

The department has a policy and procedures manual that sets out specific guidelines to manage interest rate risk, credit risk and circumstances where it would be appropriate to use financial instruments to manage these.

Price risk

The group is exposed to commodity price risk as a result of its operations. However, given the size of the group's operations, the costs of managing exposure to commodity price risk exceed any potential benefits. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature. The group has no exposure to equity securities price risk as it holds no listed or other equity investments.

Credit risk

The group has implemented policies that require appropriate credit checks on potential customers before sales are made. Where debt finance is utilised, this is subject to pre-approval by the Board of directors and such approval is limited to financial institutions with an AA rating or better. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually by the Board. Deposits with financial institutions are held in low risk current accounts.

Interest rate cash flow risk

The group has no interest bearing assets, but has interest bearing liabilities. The company utilises wider group finance that is designed to ensure the group has sufficient available funds for its operations and its required level of working capital. Group financing incurs interest. The directors reassess these in the context of longer term interest rate trends.

Principal risks and uncertainties

The key business risk and uncertainty affecting the group relates to competition from the UK and overseas. The group seeks to minimise this risk through continued investment in marketing and a proactive approach to customer service.

Section 172(1) statement

The directors consider that they have performed their duties in line with S172(1) Companies Act 2006. The directors have acted in such a way as to promote the success of the group for the benefit of the shareholder and by having regard for the potential impact of decisions on other key stakeholder groups (for example employees, customers and suppliers). The directors are also aware of their responsibilities to ensure the group acts fairly in all its dealings and communications with key stakeholder groups and to consider the impact of the group's operations on the wider community and environment.

Employee engagement

The quality, commitment and effectiveness of the group's employees are crucial to its continued success. Employee policies and programmes are designed to encourage employees to become interested in the group's activities and to reward employees according to their contribution and capability and the group's financial performance. Employee communications are a priority and regular briefings and "Townhalls" are used to disseminate relevant information. Employee surveys are undertaken to allow employees to express their views

Black Cat Fireworks Limited

Strategic report for the year ended 31 December 2022 (continued)

Section 172(1) statement (continued)

Employee engagement (continued)

anonymously on many aspects of their work lives. Suggestion boxes are used to allow employees to voice their opinions for improvements and change. Employment policies do not discriminate between employees or potential employees on the grounds of colour, race, ethnic or natural origin, sex, marital status, sexual orientation, religious beliefs or disability. If an employee were to become disabled whilst in employment and as a result was unable to perform his or her duties, every effort would be made to offer suitable alternative employment, internal or external, and assistance provided with retraining.

Suppliers and customers

The group maintains an ongoing dialogue with its customers and suppliers through various communication channels and relevant stakeholders. In addition, the group engages in supplier face-to-face meetings, email and telephone conversations with executive directors and senior management and annual social events for key suppliers. Engagement with customers is a major part of the group's communication activities performed through face to face meetings and via email where customers have opted in to receive such communication.

Policy and practice on payment of creditors

The group is a registered supporter of the Better Payment Practice Group's 'Better Payment Practice Code' to which it subscribes when dealing with all of its suppliers. Copies of the Better Payment Practice Group's code are available from the Department for Business, Innovation & Skills (BIS). Trade creditor days at the year-end represented 22 days (2021: 21 days) of purchases. It is the company's policy in respect of all suppliers to agree payment terms in advance of the supply of goods and to adhere to those payment terms.

Community and environment

The group has active community and environmental policies. The group supports local charities with the involvement of our employees. The group also supports gifting employees volunteering time to work in the community or charitable environment during normal working hours. Sustainability is widely supported within the group, and we work close with our suppliers and customers to ensure the components we use within our business are as sustainable as possible. The company has strict protocols in relation to ensuring that factory audits are maintained and documented in all regions within our supply chain.

Shareholders

The group has a long-term commitment to support the alignment of executive director interests with those of shareholders. The size and distribution of our stakeholders and shareholders means that stakeholder engagement often takes place at an operational level. The Board considers and discusses information from across the organisation to help it understand the impact of Group operations, and the interests and views of our key stakeholders. It also reviews strategy, financial and operational performance, as well as information covering areas such as key risks, and legal and regulatory compliance. This information is provided to the Board through reports sent in advance of each Board meeting, and through in-person presentations.

As a result of these activities, the Board has an overview of engagement with stakeholders, and other relevant factors, which enables the Directors to comply with their legal duty under section 172(1) of the Companies Act 2006.

On behalf of the Board



A W Brown
Director
17 April 2024

Black Cat Fireworks Limited

Directors' report for the year ended 31 December 2022

The directors present their annual report and audited consolidated financial statements for the year ended 31 December 2022.

General information

The company is a private company, limited by shares, incorporated and domiciled in the United Kingdom and registered in England & Wales.

Future developments, risk management and dividends

Future developments, risk management and dividends are covered in the Strategic Report.

Directors

The directors who were in office during the year and up to the date of signing the financial statements are given below:

R Eickel

A W Brown

O L A Arias (appointed 1 December 2023, resigned 15 April 2024)

D Coates (resigned 1 December 2023)

The group maintains liability insurance for its directors and officers. By virtue of the articles of association, the company has also provided indemnity for its directors and the secretary, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006, which was in place both during the financial year and at the date of approval of the financial statements.

Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability. Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the company as a whole. Communication with all employees continues through various briefing groups.

Political and charitable donations

The group made no political donations or UK charity donations during the year (2021: £nil).

Streamlined Energy and Carbon Reporting ('SECR')

Neither Black Cat Fireworks Limited nor Comet Feuerwerk GmbH, the only two companies within the group, are required to report on SECR at an individual entity level. As a result, Black cat Fireworks Limited, as the parent company, is exempt from presenting full SECR disclosures in these financial statements.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual report and consolidated financial statements and the 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 financial statements in accordance with UK-adopted international accounting standards and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

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 period. In preparing the financial statements, the directors are required to:

- (i) select suitable accounting policies and then apply them consistently;

Black Cat Fireworks Limited

Directors' report for the year ended 31 December 2022 (continued)

Statement of directors' responsibilities (continued)

- (ii) state whether applicable UK-adopted international accounting standards have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- (iii) make judgements and accounting estimates that are reasonable and prudent; and
- (iv) 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.

Disclosure of information to auditors

In so far as each director is aware, there is no relevant audit information of which the groups and company's auditors, PricewaterhouseCoopers LLP, are unaware and each director has taken all the steps he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

The independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

On behalf of the Board



A W Brown
Director
17 April 2024

Independent auditors' report to the members of Black Cat Fireworks Limited

Report on the audit of the financial statements

Qualified opinion

In our opinion, except for the effects of the matter described in the Basis for qualified opinion paragraph below,:

- Black Cat Fireworks Limited'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 profit and the group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and consolidated financial statements (the "Annual Report"), which comprise: Consolidated statement of financial position and Company statement of financial position as at 31 December 2022; Consolidated income statement, Consolidated statement of comprehensive income, Consolidated and company statements of changes in equity and Consolidated statement of cash flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for qualified opinion

As explained in Note 1 to the financial statements, the company has prepared consolidated financial statements in accordance with UK-adopted International Accounting Standards. On first time adoption of the standards, reconciliations between the previous GAAP applied and UK-adopted International Accounting standards are required for equity and total comprehensive income. The reconciliation of the consolidated equity is required between the date of transition to UK-adopted International Accounting standards as at 1 January 2021 and the end of the last period presented under previous GAAP as at 31 December 2020. The reconciliations should provide sufficient detail to enable users to understand the material adjustments to the Consolidated statement of financial position and the Consolidated statement of comprehensive income/loss. The company has not prepared three statements of Consolidated financial position nor a reconciliation in the Consolidated statement of changes in equity and transition notes as required by the relevant accounting standards and therefore our opinion is qualified in this respect. 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 qualified 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 qualified 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, 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 the Companies Act 2006 and UK Tax regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. 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 management bias in accounting estimates and judgements. Audit procedures performed by the engagement team included:

- Inquiry of management and those charged with governance in respect of potential non compliance with laws and regulations;
- Testing journal entries meeting specifically deemed risk based criteria and testing accounting estimates for indication of management bias; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

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.

Other matter

The group financial statements for the year ended 31 December 2021, forming the corresponding figures of the group financial statements for the year ended 31 December 2022, are unaudited.



Paul Hudson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
17 April 2024

Black Cat Fireworks Limited

Consolidated income statement for the year ended 31 December 2022

		2022	Unaudited 2021
	Note	£'000	£'000
Turnover	2	40,297	15,402
Cost of sales		(22,354)	(11,296)
Gross profit		17,943	4,106
Distribution costs		(8,646)	(7,551)
Administrative expenses		(4,746)	(3,250)
Other operating income		2,847	7,724
Operating profit		7,398	1,029
Finance income	5	200	131
Finance costs	6	(4,642)	(758)
Profit before taxation	7	2,956	402
Tax on profit	8	(836)	(2)
Profit for the financial year		2,120	400

All activities are in respect of continuing operations.

Consolidated statement of comprehensive income for the year ended 31 December 2022

		2022	Unaudited 2021
	Note	£'000	£'000
Profit for the financial year		2,120	400
Other comprehensive income/(expense)			
Items which may subsequently be reclassified to profit or loss when specific conditions are met:			
Currency translation differences		751	426
Items which will not subsequently be reclassified to profit or loss account:			
Actuarial profit on pension scheme for the year	24	104	744
Other comprehensive (expense)/income for the year		855	1,170
Total comprehensive income for the year		2,975	1,570

Black Cat Fireworks Limited

Consolidated statement of financial position as at 31 December 2022

		2022	Unaudited 2021
	Note	£'000	£'000
Non-current assets			
Intangible assets	9	44	125
Property, plant and equipment	10	226	333
Right of use assets	11	1,208	2,218
		1,478	2,676
Current assets			
Inventories	13	2,364	11,232
Debtors	14	61,571	23,863
Cash at bank and in hand		2,604	3,445
		66,539	38,540
Current liabilities			
Trade and other payables	15(a)	(33,999)	(17,303)
Financial liabilities - borrowings	15(b)	(44,878)	(36,480)
Lease liabilities	18	(1,243)	(1,146)
		(80,120)	(54,929)
Net current liabilities		(13,581)	(16,389)
Total assets less current liabilities		(12,103)	(13,713)
Non-current liabilities			
Lease liabilities	18	(43)	(1,181)
Post employment benefits	24	-	(269)
Deferred tax liabilities	17	(715)	(673)
		(758)	(2,123)
Net liabilities		(12,861)	(15,836)
Capital and reserves			
Called up share capital	21	15,500	15,500
Capital redemption reserve		7	7
Profit and loss account		(28,368)	(31,343)
Total shareholders' deficit		(12,861)	(15,836)

These financial statements were approved by the Board of directors on 17 April 2024 and were signed on its behalf by:



A W Brown
Director

Black Cat Fireworks Limited
Registered number 1900841

Black Cat Fireworks Limited

Company statement of financial position as at 31 December 2022

	Note	2022 £'000	2021 £'000
Fixed assets			
Intangible assets	9	-	3
Property, plant and equipment	10	57	77
Right of use assets	11	56	36
Investments	12	27,335	29,640
		27,448	29,756
Current assets			
Inventories	13	1,793	291
Debtors	14	2,847	3,432
Cash at bank and in hand		1,895	2,553
		6,535	6,276
Current liabilities			
Creditors: amounts falling due within one year	15(c)	(37,613)	(32,711)
Net current liabilities		(31,078)	(26,435)
Total assets less current liabilities		(3,630)	3,321
Creditors: amounts falling due after more than one year	16	(36)	(288)
Net (liabilities)/assets		(3,666)	3,033
Capital and reserves			
Called up share capital	21	15,500	15,500
Capital redemption reserve		7	7
Profit and loss account		(19,173)	(12,474)
Total shareholders' (deficit)/funds		(3,666)	3,033

As permitted by s408 of the Companies Act 2006, the company has not presented its own profit and loss account and related notes as it prepares group financial statements. The loss of the company dealt with in the consolidated income statement amounted to £6,803,000 (2021: loss of £305,000).

These financial statements were approved by the Board of directors on 17 April 2024 and were signed on its behalf by:



A W Brown
Director

Black Cat Fireworks Limited
Registered number 1900841

Black Cat Fireworks Limited

Consolidated statement of changes in equity for the year ended 31 December 2022

	Called up share capital	Capital redemption reserve	Profit and loss account	Total shareholders' deficit
Group	£'000	£'000	£'000	£'000
Balance as at 1 January 2021 - unaudited	15,500	7	(32,913)	(17,406)
Profit for the financial year	-	-	400	400
Other comprehensive income for the year	-	-	1,170	1,170
Total comprehensive income for the year	-	-	1,570	1,570
Balance as at 31 December 2021 - unaudited	15,500	7	(31,343)	(15,836)
Profit for the financial year	-	-	2,120	2,120
Other comprehensive income for the year	-	-	855	855
Total comprehensive income for the year	-	-	2,975	2,975
Balance as at 31 December 2022	15,500	7	(28,368)	(12,861)

Company statement of changes in equity for the year ended 31 December 2022

	Called up share capital	Capital redemption reserve	Profit and loss account	Total shareholders' funds/(deficit)
Company	£'000	£'000	£'000	£'000
Balance as at 1 January 2021	15,500	7	(12,913)	2,594
Loss for the financial year	-	-	(305)	(305)
Other comprehensive income for the year	-	-	744	744
Total comprehensive income for the year	-	-	439	439
Balance as at 31 December 2021	15,500	7	(12,474)	3,033
Loss for the financial year	-	-	(6,803)	(6,803)
Other comprehensive income for the year	-	-	104	104
Total comprehensive expense for the year	-	-	(6,699)	(6,699)
Balance as at 31 December 2022	15,500	7	(19,173)	(3,666)

Black Cat Fireworks Limited

Consolidated statement of cash flows for the year ended 31 December 2022

	Note	2022 £'000	Unaudited 2021 £'000
Cash flows from operating activities			
Profit before taxation		2,956	402
<i>Adjustments for:</i>			
Depreciation charge – fixed assets	7	129	146
Amortisation charge – intangibles	7	84	87
Depreciation charge – right of use assets	7	1,365	1,374
Decrease/(increase) in inventories		8,868	(1,039)
(Increase)/decrease in receivables		(37,684)	11,376
Increase/(decrease) in payables		16,696	(41,815)
Finance costs - net		4,442	627
Effect of foreign exchange movements		(264)	249
Other non-cash items		(170)	(177)
Cash used in operations		(3,578)	(28,770)
Interest paid		(106)	-
Income taxes paid		(2)	-
Net cash outflow from operating activities		(3,686)	(28,770)
Cash flows from investing activities			
Purchase of property, plant and equipment		(12)	-
Net cash outflow from investing activities		(12)	-
Cash flows from financing activities			
Loans from group undertakings – received		9,919	65,536
Loans from group undertakings – repaid		(5,558)	(38,148)
Payments for lease liabilities		(1,504)	(1,474)
Net cash inflow from financing activities	23	2,857	25,914
Net decrease in cash and cash equivalents		(841)	(2,856)
Cash and cash equivalents at start of year		3,445	6,301
Net cash and cash equivalents at end of year	23	2,604	3,445

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2022

1. Principal accounting policies

Summary of significant accounting policies

The principal accounting policies, which have been applied consistently throughout the year, unless otherwise stated, are set out below.

Basis of preparation – Group

Black Cat Fireworks Limited (the ‘company’ and the ‘parent company’) is a private company, limited by shares, incorporated, domiciled and registered in the UK and the address of its registered office is Centenary House, Centenary Way, Salford, Manchester, M50 1RF.

The group financial statements consolidate those of the company and its subsidiary (together referred to as the ‘group’). The company financial statements present information about the company as a separate entity and not about its group.

The consolidated financial statements 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.

On publishing the parent company financial statements here together with the group financial statements, the company is taking advantage of the exemption in section 408 of the Companies Act 2006 not to present its individual income statement and related notes that form part of these approved financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements. The financial statements have been prepared under historic cost modified by revaluation of financial assets and financial liabilities held at fair value through profit and loss.

The financial statements have been prepared for a twelve month period ended 31 December 2022 which aligns with the financial year end of the group.

Basis of preparation - Company

The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. The financial statements have been prepared in accordance with FRS 101, ‘Reduced Disclosure Framework’.

The financial statements have been prepared under the historical cost convention, on a going concern basis and in accordance with the Companies Act 2006, as applicable to companies adopting FRS101, except as otherwise stated.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, ‘Share-based payment’ (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined)
- IFRS 7, ‘Financial instruments: Disclosures’
- Paragraph 38 of IAS 1, ‘Presentation of financial statements’ comparative information requirements in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16 Property, plant and equipment;
 - (iii) paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period)

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

1. Principal accounting policies (continued)

Basis of preparation – Company (continued)

- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - (i) 10(d), (statement of cash flows)
 - (ii) 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements),
 - (iii) 16 (statement of compliance with all IFRS),
- IAS 7, 'Statement of cash flows'
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)

New and amended standards adopted by the company

The company has applied the following standards and amendments for the first time in its annual reporting period commencing 1 January 2022:

- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16;
- Onerous contracts – Cost of Fulfilling a Contract – Amendments to IAS 37;
- Annual Improvements to IFRS Standards 2018-2020: and
- Reference to Conceptual Framework – Amendments to IFRS 3.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect current or future periods.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been adopted early by the company. None of these are expected to have a material impact on the company in the current or future reporting periods and on foreseeable future transactions.

Basis of consolidation

Subsidiaries

Subsidiaries are those entities over which the company has control. Control is exercised when an entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date on which that control ceases.

Acquisitions

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value the assets transferred, the liabilities incurred to the former owners of the acquiree, 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 arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date.

Acquisition costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying values of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognised in profit or loss.

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

1. Principal accounting policies (continued)

Basis of consolidation (continued)

Acquisitions (continued)

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or a liability is recognised in accordance with IFRS 9, either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Where necessary, amounts supported by subsidiaries have been adjusted to conform with the group's accounting policies.

Disposals

When the group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This might mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

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 each entity operates ('the functional currency'). The consolidated financial statements are presented in GBP which is the group's 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 or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges.

Group companies

The results and financial position of all of the group entities that have a functional currency different from the presentational currency are translated into the presentational currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of each transaction); and
- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity, and they are translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

1. Principal accounting policies (continued)

Going concern

The group meets its day-to-day working capital requirements through its intercompany loan arrangements. The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group should be able to operate within the level of its current cash reserves and borrowings. After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. The directors have received confirmation that Li & Fung (B.V.I.) Limited intends to support the group for at least one year from the date of signing these financial statements. The group therefore continues to adopt the going concern basis in preparing its financial statements.

Investment in subsidiaries

A subsidiary is a company in which the company, direct or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors. Investments in subsidiaries are stated at cost less provision, if necessary, for any permanent diminution in value. The results of the subsidiary are accounted for by the company on the basis of dividends received and receivable.

Share capital

Ordinary shares are classified as equity.

Capital redemption reserve

The capital redemption reserve arises from the accounting from share awards.

Intangible assets

Computer software and system development costs

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful lives of 3 to 10 years.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs include the employee costs incurred as a result of developing software and an appropriate proportion of relevant overheads.

System developments costs recognised as assets are amortised over their estimated useful lives of 3 to 10 years and is charged through administrative expenses in the income statement.

Brand 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 costs of trademarks and licences over their estimated useful lives, generally over the length of the relevant contracts, which are on average 2 to 5 years.

Purchased goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separate net assets acquired) arising on acquisitions of trade and assets is capitalised and is not subject to subsequent amortisation in accordance with UK-adopted International Accounting Standards. This is a departure from the requirement to amortise non-current assets under UK law.

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

1. Principal accounting policies (continued)

Goodwill on consolidation

Goodwill arises on the acquisition of subsidiaries, and it represents the excess of the consideration transferred over the fair value of the assets transferred. If the total of consideration transferred 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.

Goodwill impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the cash generating unit containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately and is not subsequently reversed.

Property, plant and equipment

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition.

Depreciation is calculated so as to write off the cost of fixed assets, less their estimated residual values, on a straight-line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Leasehold improvement	Life of lease
Fixtures, fittings and office equipment	15% – 33.3%
Plant and machinery	10% – 50%
Motor vehicles	20%

Depreciation is charged within administrative expenses in the income statement.

Leases

Under IFRS 16, the group recognised right of use assets and lease liabilities in relation to leases, under which the company and its subsidiary undertaking are lessees.

The group leases office space, various equipment and vehicles. Rental contracts are typically made for fixed periods but may have extension options. Contracts may contain both lease and non-lease components. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date; and
- payments of penalties for terminating the lease, if the lease term reflects the company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

1. Principal accounting policies (continued)

Leases (continued)

The group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Trade and other debtors

Trade and other debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade and other debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade debtors and contract assets. To measure the expected credit losses, trade debtors and contract assets are grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade debtors for the same types of contracts. The group has therefore concluded that the expected loss rates for trade debtors are a reasonable approximation of the loss rates for the contract assets.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average price method. Provision is made where necessary for obsolete, slow moving and defective stocks.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

1. Principal accounting policies (continued)

Financial liabilities - borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings 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 reporting period.

Turnover

Turnover is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The company recognises revenue when performance obligations have been satisfied and for the company this is when the goods or services have transferred to the customer and the customer has control of these. The company bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Other operating income

Other operating income represents:

- UK rental income for storage cabinets and on site properties and is recognised in the period in which the income is earned;
- Freight income on amended orders;
- Covid aid received from the German Government.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and the group will comply with all attached conditions. Government grants relating to costs are recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Grant income has been recognised as follows:

- £2,152,000 (2021: £7,454,000) received from the German government under the Covid aid program included in other operating income.

There are no unfulfilled conditions or other contingencies associated with these grants. The group did not benefit directly from any other forms of Government assistance.

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

1. Principal accounting policies (continued)

Current and deferred income tax

The tax expense for the period comprises current tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities or as group relief to fellow subsidiary undertakings.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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 taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is intention to settle the balances on a net basis.

Pension costs – defined contribution

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge disclosed in note 24 represents contributions payable by the company to the fund.

Pension costs – defined benefit

The group operates a defined benefit pension scheme for the benefit of its employees, the assets of which are held separately from those of the group in independently administered funds.

Pension scheme assets are measured using market value. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability. The increase in the present value of the liabilities of the group's defined benefit pension schemes expected to arise from employee service in the period is charged to operating profit. The expected return on the schemes' assets and the increase during the year in the present value of the schemes' liabilities arising from the passage of time are included in other finance income. Actuarial gains and losses are recognised in the statement of total recognised gains and losses. Pension schemes' surpluses, to the extent that they are considered recoverable, or deficits are recognised in full and presented on the face of the balance sheet net of the related deferred tax.

Critical accounting estimates and assumptions

The preparation of financial statements in conformity with International Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group and company's accounting policies.

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

1. Principal accounting policies (continued)

Critical accounting estimates and assumptions (continued)

Areas where assumptions and estimates are significant to the financial statements are disclosed below.

Sale and returns policy

All goods/fireworks are sold on a sale or return basis for major customers. At year end the accruals for goods still to be returned and credited are based on either an actuals basis, i.e., all goods have been receipted back from the customer, or on an estimated basis. The estimation is calculated using Epos sales data supplied by the customer and reconciled against the amount of goods sent out from the company to the customer. The difference is the expected amount of goods to be returned. Historic accruals show that the level of estimation is usually accurate with little deviation.

Pension obligations

The group operates a defined benefit pension scheme for which actuarial valuations are carried out as determined by the trustees at intervals of not more than three years. The pension cost under IAS 19 is assessed in accordance with Directors' best estimates using the advice of an independent qualified actuary and assumptions in the latest actuarial valuation. The assumptions are based on information supplied to the actuary, supplemented by discussions between the actuary and management.

The principal assumptions used to measure schemes' liabilities, sensitivities to changes in assumptions and future funding obligations are set out in note 24 of the financial statements.

Areas where there is both a higher degree of judgement or complexity and where assumption and estimates are significant to the financial statements are disclosed below.

Impairment of investments

Investments represent a significant balance on the company's balance sheet. The directors review the carrying value annually and ensure it is supportable by assessing the budgets and projections of the businesses to which it relates. If appropriate, an impairment is booked.

The impairment review carried out in relation to the balance carried as at 31 December 2022 involved the following, in relation to the only investment carried with any significant value:

- Historical budget data was compared against previous years' actual results, in order to gauge reliability of future forecasts;
- 2023 actuals were available, but only included to the extent these could have been forecast as at 31 December 2022. These included Covid-19 support provided by the German government to cover fixed costs and loss of earnings;
- Current retail environment and economic factors, including the potential impact of inflationary pressures, were considered to determine 2024 and 2025 forecasts;
- Beyond 2024, a small level of growth has been forecast, based on our predetermined 2024 and 2025 forecasts;
- Once the impairment model was complete, various lines within it were subjected to sensitivity analysis; and
- The sensitivity analysis indicated an impairment of £2,305,000 which has been booked in the company's income statement in the year.

A discount rate of 11.5% was used.

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

2. Turnover

The turnover for the year is generated entirely from the group's principal activity and arises from sales made in the United Kingdom and rest of Europe.

The analysis of turnover by geographical area is as follows:

Group	2022	Unaudited 2021
	£'000	£'000
United Kingdom	8,408	7,152
Rest of Europe	31,889	8,250
	40,297	15,402

3. Directors' emoluments

Company	2022 £'000	2021 £'000
Aggregate of directors' emoluments	115	107
Remuneration of highest paid director	115	107

One (2021: one) of the directors received emoluments in respect of services to the company. Company contributions to money purchase schemes in respect of directors amounted to £5,000 (2021: £5,000). This related to one (2021: one) director and the company contributed £5,000 (2021: £5,000) in respect of the highest paid director.

The directors did not exercise any share options during the year (2021: £nil).

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

4. Employee information

Group

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

	2022	Unaudited 2021
	Number	Number
Selling and distribution	71	85
Administration	9	11
	80	96

The aggregate payroll costs for those persons were as follows:

	2022	Unaudited 2021
	£'000	£'000
Wages and salaries	2,903	2,930
Social security costs	441	446
Other pension costs (note 24)	44	83
	3,388	3,459

Company

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

	2022	2021
	Number	Number
Selling and distribution	18	19
Administration	2	2
	20	21

The aggregate payroll costs for those persons were as follows:

	2022	2021
	£'000	£'000
Wages and salaries	807	790
Social security costs	79	69
Other pension costs (note 24)	29	29
	915	888

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

5. Finance income

		Unaudited
	2022	2021
Group	£'000	£'000
Expected returns related to pensions (note 24)	200	131

6. Finance costs

		Unaudited
	2022	2021
Group	£'000	£'000
Bank and other interest payable to third parties	(161)	(191)
On intercompany loan	(654)	(202)
Lease liability interest	(65)	(101)
Net interest costs relating to defined benefit scheme (note 24)	(204)	(144)
Foreign exchange loss on intercompany loan	(3,558)	(120)
	(4,642)	(758)

7. Profit before taxation

		Unaudited
	2022	2021
Group	£'000	£'000
Profit before taxation is stated after charging/(crediting):		
Amortisation (note 9)	84	87
Depreciation of owned tangible fixed assets (note 10)	129	146
Depreciation of right of use assets (note 11)	1,365	1,374
Expenses related to pensions (note 24)	101	81
Other operating income	(2,847)	(7,724)
Fees payable to the company auditors for:		
- the audit of the group and company	224	50
- other services, including taxation	9	7
Fees payable to other auditors for:		
- the audit of subsidiary undertaking	30	30
- other services, including taxation	19	19

Other operating income includes:

- Covid aid (grant) received from the German government £2,152,000 (2021: £7,454,000);
- Foreign exchange gains £327,000 (2021: £217,000); and
- Freight invoiced to customers due to order changes £305,000 (2021: £nil).

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

8. Tax on profit

Group	2022 £'000	Unaudited 2021 £'000
UK current tax		
UK corporation tax on profits for the year	(24)	-
Adjustments in respect of prior year	-	2
Total UK current tax	(24)	2
Overseas current tax		
Overseas corporation tax on the profits for the year	852	-
Total overseas current tax	852	-
Overseas deferred tax		
Origination/reversal of timing differences	8	-
Total overseas deferred tax	8	-
Total tax (credit)/charge in the income statement	836	2

The tax assessed for the year is lower (2021: lower) than the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

Group	2022 £'000	Unaudited 2021 £'000
Profit before taxation	2,956	402
Profit before taxation multiplied by standard rate in the UK of 19% (2021: 19%)	562	76
Effects of:		
Adjustments in respect of foreign tax rates	962	91
Expenses not deductible for tax purposes	14	7
Adjustment in respect of previous periods	-	2
Origination/reversal of timing differences	8	-
Utilisation of previously unrecognised tax losses	(1,545)	(232)
Amounts not recognised	835	58
Total tax in the income statement	836	2

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25%. This new law was substantively enacted on 3 March 2021. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

9. Intangible Assets

Group	Brand licences £'000	Software £'000	Purchased goodwill £'000	Goodwill on consolidation £'000	Total £'000
Cost					
At 1 January 2022	4,567	111	2,143	1,425	8,246
Exchange differences	229	-	-	-	229
At 31 December 2022	4,796	111	2,143	1,425	8,475
Accumulated amortisation					
At 1 January 2022	4,445	108	-	-	4,553
Charge for the year	81	3	-	-	84
Exchange differences	226	-	-	-	226
At 31 December 2022	4,752	111	-	-	4,863
Accumulated impairment					
At 1 January 2022 and 31 December 2022	-	-	2,143	1,425	3,568
Net book value					
At 31 December 2022	44	-	-	-	44

Group - unaudited	Brand licences £'000	Software £'000	Purchased goodwill £'000	Goodwill on consolidation £'000	Total £'000
Cost					
At 1 January 2021	4,933	111	2,143	1,425	8,612
Exchange differences	(366)	-	-	-	(366)
At 31 December 2021	4,567	111	2,143	1,425	8,246
Accumulated amortisation					
At 1 January 2021	4,713	104	-	-	4,817
Charge for the year	83	4	-	-	87
Exchange differences	(351)	-	-	-	(351)
At 31 December 2021	4,445	108	-	-	4,553
Accumulated impairment					
At 1 January 2021 and 31 December 2021	-	-	2,143	1,425	3,568
Net book value					
At 31 December 2021	122	3	-	-	125
At 31 December 2020	220	7	-	-	227

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

9. Intangible Assets (continued)

Company	Software £'000
Cost	
At 1 January 2022 and 31 December 2022	111
Accumulated amortisation	
At 1 January 2022	108
Charge for the year	3
At 31 December 2022	111
Net book value	
At 31 December 2022	-
At 31 December 2021	3

Amortisation is charged through administrative expenses in the income statement.

10. Property, plant and equipment

Group	Leasehold improvements £'000	Plant and machinery £'000	Motor vehicles £'000	Fixtures, fittings and office equipment £'000	Total £'000
Cost					
At 1 January 2022	465	2,139	19	1,549	4,172
Additions	-	6	-	6	12
Exchange adjustments	23	11	-	73	107
At 31 December 2022	488	2,156	19	1,628	4,291
Accumulated depreciation					
At 1 January 2022	350	2,051	16	1,422	3,839
Charge for the year	17	83	3	26	129
Exchange adjustments	18	12	-	67	97
At 31 December 2022	385	2,146	19	1,515	4,065
Net book value					
At 31 December 2022	103	10	-	113	226

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

10. Property, plant and equipment

	Leasehold improvements	Plant and machinery	Motor vehicles	Fixtures, fittings and office equipment	Total
Group - unaudited	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January 2021	502	2,162	31	1,701	4,396
Disposals	-	(7)	(12)	(35)	(54)
Exchange adjustments	(37)	(16)	-	(117)	(170)
At 31 December 2021	465	2,139	19	1,549	4,172
Accumulated depreciation					
At 1 January 2021	359	2,046	25	1,458	3,888
Charge for the year	17	26	3	100	146
Disposals	-	(7)	(12)	(35)	(54)
Exchange adjustments	(26)	(14)	-	(101)	(141)
At 31 December 2021	350	2,051	16	1,422	3,839
Net book value					
At 31 December 2021	115	88	3	127	333
At 31 December 2020	143	116	6	243	508

	Plant and machinery	Motor vehicles	Fixtures, fittings and office equipment	Total
Company	£'000	£'000	£'000	£'000
Cost				
At 1 January 2022 and 31 December 2022	1,943	19	83	2,045
Accumulated depreciation				
At 1 January 2022	1,876	16	76	1,968
Charge for the year	10	3	7	20
At 31 December 2022	1,886	19	83	1,988
Net book value				
At 31 December 2022	57	-	-	57
At 31 December 2021	67	3	7	77

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

11. Right of use assets

Group	Land & Buildings £'000	Other £'000	Total £'000
Cost or Valuation			
At 1 January 2022	6,151	162	6,313
Additions	230	51	281
Written off	-	(4)	(4)
Exchange adjustments	276	3	279
At 31 December 2022	6,657	212	6,869
Accumulated depreciation			
At 1 January 2022	3,995	100	4,095
Charge for the year	1,326	39	1,365
Written off	-	(4)	(4)
Exchange adjustments	203	2	205
At 31 December 2022	5,524	137	5,661
Net book value			
At 31 December 2022	1,133	75	1,208

Group - unaudited	Land & Buildings £'000	Other £'000	Total £'000
Cost or Valuation			
At 1 January 2021	6,361	167	6,528
Additions	230	33	263
Written off	-	(33)	(33)
Exchange adjustments	(440)	(5)	(445)
At 31 December 2021	6,151	162	6,313
Accumulated depreciation			
At 1 January 2021	2,869	89	2,958
Charge for the year	1,329	45	1,374
Written off	-	(33)	(33)
Exchange adjustments	(203)	(1)	(204)
At 31 December 2021	3,995	100	4,095
Net book value			
At 31 December 2021	2,156	62	2,218
At 31 December 2020	3,492	78	3,570

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

11. Right of use assets (continued)

Company	Land & Buildings £'000	Other £'000	Total £'000
Cost or Valuation			
At 1 January 2022	664	110	774
Additions	230	41	271
At 31 December 2022	894	151	1,045
Accumulated depreciation			
At 1 January 2022	664	74	738
Charge for the year	230	21	251
At 31 December 2022	894	95	989
Net book value			
At 31 December 2022	-	56	56
At 31 December 2021	-	36	36

12. Investments

Company	£'000
Cost	
At 1 January 2022 and 31 December 2022	30,674
Accumulated impairment	
At 1 January 2022	1,034
Charge for the year	2,305
At 31 December 2022	3,339
Net book value	
At 31 December 2022	27,335
At 31 December 2021	29,640

The investment relates to 100% of the issued ordinary share capital of Comet Feuerwerk GmbH, a company incorporated in Germany. Their principal activity is the distribution of pyrotechnics. Comet Feuerwerk GmbH's registered address is Uberseering 22, 27580 Bremerhaven, Germany.

In line with the company's accounting policy, impairment testing was performed on the investment and this indicated an impairment of £2,305,000. This has been charged through the company's income statement in the year.

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

13. Inventories

Group	2022	Unaudited 2021
	£'000	£'000
Raw materials	192	155
Finished goods and goods for resale	2,172	11,077
	2,364	11,232

Inventories are shown net of provisions of £2,829,000 (2021: £6,022,000).

The cost of inventories recognised as an expense and included in cost of sales in the income statement amounted to £21,988,000 (2021: £9,184,000). In addition, £3,193,000 (2021: £3,984,000 charged) has been credited through cost of sales in relation to stock provision movements in the year.

Company	2022	2021
	£'000	£'000
Finished goods and goods for resale	1,793	291

Inventories are shown net of provisions of £20,000 (2021: £48,000).

The cost of inventories recognised as an expense and included in cost of sales in the income statement amounted to £4,702,000 (2021: £3,837,000). In addition, £28,000 (2021: £189,000) has been credited through cost of sales in relation to stock provision movements in the year.

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

14. Debtors

		Unaudited
	2022	2021
Group	£'000	£'000
Amounts falling due within one year		
Trade debtors	21,272	12,030
Amounts owed by group undertakings (note 27)	38,144	8,037
Group relief receivable	24	-
Other debtors	1,555	3,701
Prepayments and accrued income	576	95
	61,571	23,863

Trade debtors are shown after provisions of £445,000 (2021: £147,000).

Other debtors are shown net of provisions of £nil (2021: £nil).

Amounts owed by group undertakings relate to trade debtors factored, without recourse, through a fellow group undertaking.

During the year the group also continued to sell certain debts on a recourse basis to Barclays. At 31 December 2022, the group had factored debts, with recourse, amounting to £2,082,000 (2021: £1,818,000).

	2022	2021
Company	£'000	£'000
Amounts falling due within one year		
Trade debtors	2,177	3,209
Group relief receivable	24	-
Other debtors	129	128
Prepayments and accrued income	517	95
	2,847	3,432

During the year the company continued to sell certain debts on a recourse basis to Barclays. At 31 December 2022, the company had factored debts amounting to £2,082,000 (2021: £1,818,000).

Trade debtors are shown after provisions of £445,000 (2021: £130,000).

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

14. Debtors (continued)

The ageing of gross trade debtors based on invoice date is as follows:

Group	Unaudited	
	2022 £'000	2021 £'000
Up to 90 days	59,861	20,190
91-180 days	-	2
181-360 days	-	6
Over 360 days	-	16
	59,861	20,214

Gross trade debtors are reconciled to net trade debtors are as follows:

Group	Unaudited	
	2022 £'000	2021 £'000
Gross trade debtors	59,861	20,214
Provisions	(445)	(147)
Factored debt	(38,144)	(8,037)
Net trade debtors	21,272	12,030

Movements in the group's provision for impairment of trade debtors are as follows:

Group	Unaudited	
	Trade debtors provision	Trade debtors provision
	2022 £'000	2021 £'000
Opening provision 1 January	(147)	(243)
Charge for the year	(315)	-
Written off	17	96
Closing provision 31 December	(445)	(147)

Increase and reversal of provision for impairment for trade and related party debtors have been included in "Administrative expenses" in the consolidated profit and loss account. Amounts charged to the provision for impairment account are generally written off, when there is no expectation of recovering additional cash.

Except as disclosed above, the other classes within debtors do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above.

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

14. Debtors (continued)

The carrying amounts of the group's net trade and other debtors and prepayments are denominated in the following currencies:

Group	2022	Unaudited
	£'000	2021 £'000
GBP	2,823	3,432
EUR	20,580	12,394
	23,403	15,826

Representing:	2022	Unaudited
	£'000	2021 £'000
Trade debtors	21,272	12,030
Other debtors	1,555	3,701
Prepayments and accrued income	576	95
	23,403	15,826

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

15. Trade and other payables, financial liabilities – borrowings and creditors: amounts falling due within one year

(a) Trade and other payables

		Unaudited
	2022	2021
Group	£'000	£'000
Trade creditors	1,333	661
Amounts owed to group undertakings (note 27)	2,482	1,922
Taxation and social security costs	685	471
Group relief payable	-	2
Overseas corporation tax payable	880	-
Other creditors	7,445	1,990
Accruals and deferred income	21,174	12,257
	33,999	17,303

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

At the balance sheet date, the ageing of trade creditors based on invoice date is as follows:

		Unaudited
	2022	2021
Group	£'000	£'000
Up to 90 days	1,333	661

The carrying amounts of the group's trade and other creditors and accruals are denominated in the following currencies:

		Unaudited
	2022	2021
Group	£'000	£'000
GBP	3,631	2,638
EUR	27,006	12,740
	30,637	15,378

	2022	2021
Representing:	£'000	£'000
Trade creditors	1,333	661
Other taxation and social security	685	471
Other creditors	7,445	1,990
Accruals and deferred income	21,174	12,256
	30,637	15,378

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

15. Trade and other payables, financial liabilities – borrowings and creditors: amounts falling due within one year (continued)

(b) Financial liabilities – borrowings

Group	2022	Unaudited 2021
	£'000	£'000
Amounts owed to group undertakings (note 27)	44,878	36,480

Financial liabilities – borrowings - owed to group undertakings include the following loans:

- USD40,123,000, GBP equivalent £33,319,000 (2021: USD40,123,000, GBP equivalent £29,759,000) which is unsecured and repayable on demand and on which interest is charged at KLMM 1 year market rate plus 0.33% per annum; and
- EUR13,100,000, GBP equivalent £11,559,000 (2021: EUR8,000,000, GBP equivalent £6,721,000) which is unsecured and repayable on demand, provided under a rolling EUR40,000,000 facility, and on which interest is charged at KLMM 1 year market rate plus 0.25%.

(c) Creditors: amounts falling due within one year

Company	2022 £'000	2021 £'000
Trade creditors	199	43
Amounts owed to group undertakings (note 27)	33,962	30,054
Taxation and social security costs	685	471
Group relief payable	-	2
Lease liabilities	20	17
Accruals and deferred income	2,747	2,124
	37,613	32,711

Amounts owed to group undertakings include a loan of USD40,123,000, GBP equivalent £33,319,000 (2021: USD40,123,000, GBP equivalent £29,759,000) which was used to recapitalise its subsidiary undertaking during the prior year. Interest is charged at KLMM 1 year market rate plus 0.33% per annum, the loan is unsecured and repayable on demand.

Other amounts owed to group undertakings are unsecured, interest free and repayable on demand. Lease liabilities are discounted using the interest rates implicit in the relevant leases.

16. Creditors: amounts falling due after more than one year

Company	2022 £'000	2021 £'000
Lease liabilities	36	19
Post-employment benefits	-	269
	36	288

Lease liabilities are discounted using the interest rates implicit in the relevant leases.

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

17. Deferred tax

	Note	Net recognised deferred tax liability			
		Group		Company	
		2022 £'000	2021 £'000	2022 £'000	2021 £'000
At 1 January		(673)	(760)	-	-
Items charged to profit and loss in the year	8	(8)	-	-	-
Foreign exchange movements in OCI		(34)	87	-	-
At 31 December		(715)	(673)	-	-

The deferred tax asset calculated at 25% (2021: 25%) is set out below:

	Amount unrecognised		Amount recognised	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Company				
Excess of capital allowances over depreciation	660	660	-	-
Asset relating to pension liability	-	68	-	-
Unutilised losses carried forward	2,846	1,747	-	-
	3,506	2,475	-	-
	Amount unrecognised		Amount recognised	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Group				
Excess of capital allowances over depreciation	660	660	-	-
Short term timing differences	-	-	(707)	(673)
Relating to right of use assets	-	-	(8)	-
Asset relating to pension liability	-	68	-	-
Unutilised losses carried forward	7,823	7,253	-	-
	8,483	7,981	(715)	(673)

The company has not recognised a deferred tax asset (2021: £nil) as there are doubts as to whether it is able to utilise deferred tax in future years, given the uncertainty of post pandemic trading. The directors will revisit this for the year ending 31 December 2023 when it should be clearer whether trading and profitability has recovered sufficiently to support the recognition.

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25%. This new law was substantively enacted on 3 March 2021. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

18. Lease Liabilities

At 31 December 2022 and at 31 December 2021 the group has included lease liabilities in creditors, expiring as follows:

		Unaudited
	2022	2021
Group	£'000	£'000
Liabilities falling due within one year	1,243	1,146
Liabilities falling due after more than one year	43	1,181
	1,286	2,327

Lease liabilities are discounted using the interest rates implicit in the relevant leases.

At 31 December 2022 and at 31 December 2021 the company has included lease liabilities in creditors, expiring as follows:

	2022	2021
Company	£'000	£'000
Creditor amounts falling due within one year (note 15)	20	17
Creditor amounts falling due after more than one year (note 16)	36	19
	56	36

The company rents property on a one year rolling lease which renews in December each year. This arrangement has come to an end after the year end (note 26).

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

19. Financial risk management

Black Cat Fireworks Limited is part of a larger group which has finance and treasury functions based in Hong Kong and these functions, along with local management, oversee the financial risk management of the group.

The group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The wider group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance. The wider group uses derivative financial instruments to hedge certain risk exposures.

- (a) **Derivatives** – The group does not enter into any derivative arrangements, including not entering into forward foreign currency contracts. It relies on companies in the wider group to make arrangements and provide funding on the back of these, as and when required.

(b) **Market risk**

- (i) Foreign exchange risk

Most of the group's cash balances are in GBP and EUR deposits with major global financial institutions, and group's borrowings is denominated in USD.

The carrying amounts of the group's net cash balances and overdrafts are denominated in the following currencies:

Group	2022	Unaudited 2021
	£'000	£'000
EUR	709	892
GBP	1,895	2,553
	2,604	3,445

The group's intercompany borrowing is denominated in the following currencies:

Group	2022	Unaudited 2021
	£'000	£'000
USD	33,319	29,759
EUR	11,559	6,721
	44,878	36,480

The group's revenues and payments were transacted predominantly in USD, EUR and GBP. To manage risk exposure in relation to foreign exchange rate fluctuations, the wider group arranges hedging through foreign exchange forward contracts. The group does not enter into any forward foreign exchange contracts directly.

**Notes to the financial statements for the year ended 31 December 2022
(continued)**

19. Financial risk management (continued)

(b) Market risk (continued)

(i) Foreign exchange risk (continued)

Forward foreign exchange contracts

For transactions that are subject to foreign exchange risk, the wider group hedges its foreign currency exposure once it receives confirmed orders or enters into customer transactions. To mitigate the impact from changes in foreign exchange rates, the wider group regularly reviews the operations in these countries and makes necessary hedging arrangements in certain currencies mainly against the US dollar. The Black Cat Fireworks Group does not enter into any forward foreign exchange contracts directly.

Net investment in foreign operations

However, the group does not enter into foreign currency hedges with respect to the local financial results and long-term equity investments of its non-GBP foreign operations for either the income statements or balance sheet reporting purposes. Since the group's functional currency is GBP, it is subject to exchange rate exposure from the translation of foreign operations' local results to Pound Sterling at the average rate for the period of group consolidation. The group's net equity investments in non-GBP-denominated businesses are also subject to unrealised translation gain or loss on consolidation. Fluctuation of relevant currencies against GBP will result in unrealised gains or losses from time to time, which are reflected as movement in exchange reserve in the consolidated statement of changes in equity.

From a medium-to long-term perspective, the group manages its operations in the most cost-effective way possible within the global network. The group strictly prohibits any financial derivative arrangement merely for speculation.

Sensitivity

At 31 December 2022, if the major foreign currencies, such as EUR and USD, to which the group had exposure had strengthened/weakened by 10% (2021: 10%) against GBP with all other variables held constant, loss for the year and equity would have been, respectively, approximately 90% lower/higher (2021: 6% lower/higher) and 15% lower/higher (2021: 0% higher/lower), mainly as a result of foreign exchange gains/losses on translation of foreign currency denominated trade and debtors and trade and other creditors and accruals, intercompany debtors and creditors and cash and borrowings.

(ii) Cash flow and fair value interest rate risk

The group's interest rate risk arises mainly from intercompany borrowing and bank overdrafts and deposits. Intercompany borrowings and bank overdrafts at variable rates expose the group to cash flow interest rate risk, offset to an extent by variable cash deposit rates.

Sensitivity

At 31 December 2022, if the variable interest rates on the intercompany borrowings, bank overdrafts and cash deposits had been 1.0% higher/lower with all other variables held constant, loss for the year and equity would have been approximately £333,000 (2021: £75,000) lower/higher, mainly as a result of higher/lower interest expenses on floating rate borrowings.

(iii) Price risk

The group does not hold any investments and is therefore not exposed to price risk.

At 31 December 2022 and up to the report date of the financial statements, the group held no material derivative financial instruments including foreign exchange forward contracts (2021: none).

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

19. Financial risk management (continued)

(c) Credit risk

Credit risk mainly arises from trade and other debtors as well as cash and bank balances of the Group. The Group is exposed to credit risk from its operating activities. This arises primarily from its principal trading business, where the Group acts as a supplier.

(i) Risk management

All new customers undergo a risk assessment process prior to trade terms being agreed in accordance with the Group's global credit risk management framework. These assessments focus on the financial strength of individual customers as well as information specific to the customer and the economic environment in which each customer operates. To further reduce its exposure to credit risks, (a) the Group would require collateral (such as standby or commercial letters of credit, or bank guarantees) from customers if necessary, and (b) the Group has also taken out trade credit insurance to protect against losses arising from non-payment, and have entered into trade debtors factoring agreements with financial institutions on a non-recourse basis. Both receivable balances and inventory levels are reviewed regularly according to the Group's credit policies and follow-up action is taken to recover overdue balances. Furthermore, the Group's management reviews regularly the recoverable amount of its trade debtors to ensure that adequate impairment provision is made.

The Group applies the IFRS 9 simplified approach to measure expected credit losses, which uses a lifetime expected loss allowance for all trade debtors.

(ii) Security

For trade debtors not covered by customers' standby letters of credit, bank guarantees, credit insurance or under a back-to-back payment arrangement with suppliers, the Group will apply impairment loss provisions, in whole or in part, when the Group has assessed the indicators whether the debtors are unrecoverable, has made all practical recovery efforts, and has concluded that there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, debtor insolvency proceedings, the failure of a debtor to make ongoing settlement with the Group, a failure to make contractual payments on accounts receivable that are more than 365 days past due and a failure to agree on a settlement plan.

(iii) Impairment of financial assets

Trade debtors

The provision for impairment is considered individually and collectively for different trade receivable categories. When determining the appropriate level of provision for impairment for individual trade receivable categories, the indicators outlined above will be considered both generally for the Group or specifically for that trade debtor category. As at 31 December 2022, trade debtors of £445,000 (2021: £147,000) have been provided for and, based on these indicators, the composition and ageing of the trade debtors for which the group has made provision for impairment as compared to gross trade debtors are as follows: for trade debtors over 60 days past due is 100% (2021: 100%).

Impairment losses on trade debtors are presented as net impairment losses within core operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

19. Financial risk management (continued)

(c) Credit risk (continued)

(iii) Impairment of financial assets (continued)

A reconciliation of loss allowances and movements on the provision for impairment for trade debtors during the year is set out in note 14.

Other financial assets at amortised cost

The impairment loss of other financial assets carried at amortised cost is measured based on the twelve months' expected credit loss. As at 31 December 2022, trade debtors of £445,000 (2021: £147,000) have been provided for but none of the other financial assets (note 14) have been considered impaired as there is no recent history of default of the counterparties and ongoing payments are received. Impairment loss provisions will be considered if there are indicators that there is no reasonable expectation of recovery on these amounts, including if the counterparty fails to make contractual payments for a period of greater than 60 days past due.

Any cash is deposited in reputable banks with good credit ratings, minimising any credit risk.

The maximum exposure of these other financial assets to credit risk at the reporting date is their carrying amounts.

A reconciliation of loss allowances and movements on the provision for impairment for related party debtors during the year is set out in note 14.

(iv) Significant estimates and judgements

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the group's past history and market conditions, as well as forward looking estimates at the end of each reporting period.

(v) Net impairment losses on financial assets recognised in profit or loss

During the year, the following gains/(losses) were recognised in profit or loss in relation to impaired financial assets:

Group	2022	Unaudited 2021
	£'000	£'000
Impairment losses:		
Movement in loss allowance for trade debtors	(315)	-
Reversal of previous impairment losses	17	96
Impairment losses on financial assets	(298)	96

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

19. Financial risk management (continued)

(d) Liquidity risk

The group manages liquidity risk by maintaining sufficient cash on hand and ensuring the availability of funding through an adequate amount of committed credit facilities, either through the individual operating companies in the group or through other wider group companies.

Management monitors rolling forecasts of the group's liquidity reserves (comprising undrawn borrowing facilities and cash and cash equivalents) on the basis of expected cash flow.

(i) Financing arrangements

Up until 31 March 2021, the company and the group's European subsidiaries were part of a pan-European cash pooling facility with HSBC and had access to an overdraft facility. Any additional funding requirements were met by an intermediate parent company based in Hong Kong, as and when required.

After 31 March 2021, HSBC ceased to offer the cash pooling and overdraft facilities and the European operations received funding from the intermediate parent to settle any overdrafts.

(ii) Maturities of financial liabilities

The table below analyses the liquidity impact of the group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date.

Group						Total	
Contractual maturities of financial liabilities	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	undiscounted contractual cashflows	Carrying amount
At 31 December 2022	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Non-derivatives							
Trade creditors	1,333	-	-	-	-	1,333	1,333
Accruals and other creditors	29,304	-	-	-	-	29,304	29,304
Amounts due to group undertakings	13,498	-	-	-	-	13,498	13,498
Borrowings (note 23)	33,862	-	-	-	-	33,862	33,862
Lease liabilities	629	637	21	23	-	1,310	1,286
Total non-derivatives	78,626	637	21	23	-	79,307	79,283

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

19. Financial risk management (continued)

(d) Liquidity risk (continued)

(ii) Maturities of financial liabilities (continued)

Group Contractual maturities of financial liabilities	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total undiscounted contractual cashflows	Carrying amount
At 31 December 2021 - unaudited	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Non-derivatives							
Trade creditors	661	-	-	-	-	661	661
Accruals and other creditors	14,719	-	-	-	-	14,719	14,719
Amounts due to group undertakings	8,639	-	-	-	-	8,639	8,639
Borrowings (note 23)	29,763	-	-	-	-	29,763	29,763
Lease liabilities	598	607	1,192	11	-	2,408	2,327
Total non-derivatives	54,380	607	1,192	11	-	56,190	56,109

20. Capital management

The group's objective, when managing capital, is to safeguard the group's ability to continue as a going concern in order to provide returns to its equity holder and to maintain an optimal capital structure to reduce the cost of capital. The group makes appropriate adjustments to the capital structure when necessary due to changing economic and market conditions and the risk characteristics of the underlying assets. Historically, this has been by issuing new shares to its existing shareholder or selling assets to reduce debt. Share Capital is disclosed in note 21.

The group is not subject to any externally imposed capital requirements, does not have external debt and relies on funding from other group companies.

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

21. Called up share capital

	2022	2021
Group and company	£'000	£'000
Allotted, called up and fully paid		
15,500,000 (2021: 15,500,000) ordinary shares of £1 each	15,500	15,500

22. Reconciliation of net cash flow to movement in net debt

	2022	Unaudited 2021
Group	£'000	£'000
Decrease in cash and cash equivalents in year	(841)	(2,856)
Cash inflow from financing activities	(2,857)	(25,914)
Changes in net debt resulting from cash flows	(3,698)	(28,770)
<i>Non-cash movements</i>		
Right of use asset additions	(281)	(263)
Foreign exchange movements	(4,154)	234
Notional interest on leases	(65)	(101)
Movement in net debt in the year	(8,198)	(28,900)
Net debt at 1 January	(35,362)	(6,462)
Net debt at 31 December (note 23)	(43,560)	(35,362)

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

23. Analysis of net debt

	As at 1 January 2022	Cash flow	Non-cash movements	As at 31 December 2022
Group	£'000	£'000	£'000	£'000
Cash at bank and in hand	3,445	(841)	-	2,604
Loans due to group undertakings	(36,480)	(4,361)	(4,037)	(44,878)
Lease liabilities	(2,327)	1,504	(463)	(1,286)
	(38,807)	(2,857)	(4,500)	(46,164)
Net debt	(35,362)	(3,698)	(4,500)	(43,560)

	As at 1 January 2021	Cashflow	Non-cash movements	As at 31 December 2021
Group	£'000	£'000	£'000	£'000
Cash at bank and in hand	6,301	(2,856)	-	3,445
Loans due to group undertakings	(9,075)	(27,388)	(17)	(36,480)
Lease liabilities	(3,688)	1,474	(113)	(2,327)
	(12,763)	(25,914)	(130)	(38,807)
Net debt - unaudited	(6,462)	(28,770)	(130)	(35,362)

24. Post-employment benefits

Defined contribution scheme

The group made contributions amounting to £44,000 (2021: £83,000) to a defined contribution scheme in the year. At the year-end the pension creditor amounted to £5,000 (2021: £5,000).

Defined benefit scheme

The group makes deficit contributions to the Standard Fireworks 1992 Pension Scheme which is a defined benefit scheme and which is closed to future accruals.

The total net pension cost of the Standard Fireworks 1992 defined benefit scheme was £nil (2021: £nil). The cost is assessed in accordance with the advice of Deloitte, consulting actuaries.

The latest actuarial valuation of the scheme was performed as at 31 March 2022 using the projected unit method. The principal assumptions adopted in the valuation as at 31 March 2022 were that, over the long term, the investment return would be 3.6% per annum to retirement and 2.4% per annum thereafter, the rate of RPI increase has been measured against the Bank of England with Merrill Lynch yield data at the short term, and the rate of pension increase has been determined using a statistical model of movements in inflation along with long term inflation rate.

At the date of the latest actuarial valuation, the market value of the assets of the scheme was £10,766,000 and the actuarial value of these assets was sufficient to cover 96% of the benefits that had accrued to members. The company is making deficit contributions to the Scheme under an agreed recovery plan.

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

24. Post-employment benefits (continued)

Following the adoption of FRS 101, with an effective date of conversion of 1 January 2014, the company accounts for its pension scheme in accordance with IAS 19.

The pension liability detailed below is calculated using the value of the scheme assets as at 31 December 2022 and using scheme liabilities that have been updated from those at 31 March 2022 by a qualified actuary using the projected unit method.

Assumptions used for the valuation	2022	2021
Discount rate: pre and post retirement	4.9%	1.8%
Inflation assumption	3.5%	3.7%
Rate of increase of salaries	n/a	n/a
Rate of increase of pensions in payment	2.8%	2.9%

The mortality assumptions used were as follows:

	2022 Years	2021 Years
Longevity at age 65 for current pensioners		
- Men	21	21
- Women	23	23
Longevity at age 65 for future pensioners (aged 45 now)		
- Men	22	22
- Women	25	25

The mortality assumptions are calculated using 120% of the 'SAPS S3' (2021: 120% 'SAPS S3') base tables with the CMI 2021 (2021: CMI 2020) model for mortality improvements and a long term rate of 1.25% (2021: 1.25%).

The assets in the scheme and their expected rates of return were:

Group and company	Value at 31 December 2022 £'000	Value at 31 December 2021 £'000
Equities	2,271	3,048
Bonds	4,385	7,051
Other	1,433	1,180
Total market value of assets (below)	8,089	11,279
Present value of scheme liabilities (below)	(7,986)	(11,548)
Net pension surplus/(deficit)	103	(269)

The directors do not believe they have ultimate control over the unconditional right to the surplus and, as a result, have decided not to recognise it in the group's financial statements.

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

24. Post-employment benefits (continued)

No related deferred tax asset has been recognised given the uncertainty over its realisation, in accordance with the group's accounting policy (note 17).

The split of assets between quoted and unquoted is as follows:

At 31 December	2022 Quoted	2022 Unquoted	2022 Total	2021 Quoted	2021 Unquoted	2021 Total
Equities	28%	-	28%	27%	-	27%
Bonds	54%	-	54%	63%	-	63%
Other	-	18%	18%	-	10%	10%
Total	82%	18%	100%	90%	10%	100%

Reconciliation of fair value of scheme assets

	2022	2021
Group and company	£'000	£'000
1 January	11,279	11,049
Return on assets less interest	(3,090)	375
Administration expenses	(101)	(81)
Interest income	200	131
Contributions paid by employer	270	258
Benefits paid	(469)	(453)
31 December	8,089	11,279

Reconciliation of present value of scheme liabilities

	2022	2021
Group and company	£'000	£'000
1 January	(11,548)	(12,226)
Interest cost	(204)	(144)
Benefits paid from plan assets	469	453
Experience loss on liabilities	(490)	(66)
Changes to demographic assumptions	8	(94)
Changes to financial assumptions	3,779	529
31 December	(7,986)	(11,548)

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

24. Post-employment benefits (continued)

Reconciliation of present value of scheme liabilities (continued)

An analysis of amounts (charged)/credited to the profit and loss account is as follows:

Group and company	2022 £'000	2021 £'000
Administration expenses	(101)	(81)
Interest on pension scheme assets (note 5)	200	131
Interest on pension scheme liabilities (note 6)	(204)	(144)
Total	(105)	(94)

An analysis of amounts credited through the statement of comprehensive income is as follows:

Group and company	2022 £'000	2021 £'000
(Loss)/gain on assets in excess of interest	(3,090)	375
Experience losses on liabilities	(490)	(66)
Gains/(losses) from changes to demographic assumptions	8	(94)
Gains from changes to financial assumptions	3,779	529
Losses from change in effect of asset ceiling	(103)	-
Total	104	744

The anticipated future cash contributions to the scheme are set out below. 2023 to 2025 represent a 3% increase on the prior year values per the Schedule of Contributions and 2026 to 2028 are a flat rate, with contributions not expected to continue beyond 2028.

Group and company	£'000
Year ending 31 December:	
2023	278
2024	286
2025	295
2026	60
2027	60
2028	60
Total anticipated cash contributions	1,039

The weighted average duration of the defined benefit obligation is around 11 (2021: 15) years using the 31 December 2022 (2021: 2021) assumptions.

25. Capital commitments

The group had no capital commitments as at 31 December 2022 (2021: none).

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

26. Post balance sheet events

The following post balance sheet events are both treated as non-adjusting.

UK site move

On 30 December 2021 the company's landlord served notice on the company to vacate the UK premises by 30 December 2022. The lease had been operating on a one year rolling basis for some time, so this was not unexpected. Due to Health and Safety and firework licensing issues, the vacation date was extended to 30 April 2023.

A suitable new site was found and a lease was signed on 19 April 2023. This is a twelve year lease with break clauses in 2026, 2029 and 2032. Initial rent is £350,000 pa.

Expenditure relating to the move was as follows: one off move costs of £156,000 which have been booked through the profit and loss account in 2023; initial capital expenditure on the new site was £438,000 and this has been capitalised in the financial statements for the year ended 31 December 2023.

Property lease in Germany

Comet Feuerwerk GmbH has a ten year property lease running until 31 December 2028, with a five year break clause. At the outset of the lease, the group recognised the right of use asset and lease liability based on the five year non-cancellable lease period.

As at 31 December 2022, management were still considering whether to exercise the break clause, which had to be done by 30 June 2023. They were looking at other suitable properties and would have considered moving if a more commercially viable alternative had been found. The search continued into early 2023.

The lease continues to be accounted for as a five year lease as at 31 December 2022.

Subsequently, the break clause was not exercised and the group is now committed under the lease until 31 December 2028.

The resulting additional right of use asset and lease liability will be recognised in the accounts for the year ended 31 December 2023, the year in which the group became contractually committed to the additional five years.

27. Related party transactions

The company is a wholly owned subsidiary and is included in the consolidated financial statements of Li & Fung Limited, but these are no longer available to the public. The company can no longer take advantage of the exemption contained in IAS 24 and has therefore disclosed below transactions with entities which form part of the Li & Fung group.

(a) Parent entities

Parent undertakings are disclosed in note 28.

(b) Key management personnel compensation

Detailed remuneration disclosures are included in note 3.

(c) Transactions with related parties and outstanding balances arising from those transactions

The group and the company were charged £15,000 (2021: £24,000) by Fung Corporate Services Group (UK) Limited for its management services. There is no outstanding balance at the end of the year (2021: £nil).

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

27. Related party transactions (continued)

(d) Transactions with, and loans to and from, group undertakings, and outstanding balances arising from those transactions - company

The company was charged £217,000 (2021: £241,000) by Li & Fung (Trading) Limited for its management services as a passthrough charge via LF Europe Limited.

During the year, company received a loan from Li & Fung Limited amounting to £nil (2021: £29,639,000). Interest accrued in the year on the loan brought forward from the prior year amounted to £544,000 (2021: £24,000).

Total amounts outstanding at the end of the year due from/to the relevant companies, including loans, interest and recharges, are included in the table below.

Outstanding balances at 31 December - company	Debtor		Creditor	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Li & Fung (Trading) Limited	-	-	8	48
LF Europe Limited	-	-	92	246
Li & Fung Limited	-	-	33,862	29,760
Total (notes 14 and 15)	-	-	33,962	30,054

(e) Transactions with, and loans to and from, group undertakings, and outstanding balances arising from those transactions – group

The group was charged £320,000 (2021: £369,000) by Li & Fung (Trading) Limited for its management services as a passthrough charge via LF Europe Limited.

During the year, the group received a loan from Li & Fung Limited amounting to £nil (2021: £29,639,000). Interest accrued in the year on the loan brought forward from the prior year amounted to £544,000 (2021: £24,000).

During the year, the group received a loan from Li & Fung (Trading) Limited amounting to £9,919,000 (2021: £36,433,000) and repaid amounts due to them of £9,001,000 (2021: £5,558,000).

Total amounts outstanding at the end of the year due from/to the relevant companies, including loans, interest, sales and purchases of goods and recharges, are included in the table below.

Outstanding balances at 31 December - group	Debtor		Creditor	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Li & Fung (Trading) Limited	-	-	13,271	8,329
LF Europe Limited	-	-	136	313
Li & Fung Limited	-	-	33,862	29,760
Product Development Partners Ltd	38,144	-	-	-
Air8 Pte. Ltd.	-	8,037	-	-
Li & Fung (Guangdong) Import & Export Trading Limited	-	-	91	-
Total (notes 14 and 15)	38,144	8,037	47,360	38,402

Black Cat Fireworks Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

27. Related party transactions (continued)

(f) Terms and conditions – group

Goods and services purchased from group undertakings are charged based on the price lists in force and on terms that would be available to third parties. Management recharges are made by both group and related party undertakings and are charged on a cost-plus basis with a margin of 5-10% (2021: 5-10%). Loans are unsecured and repayable on demand. Interest accrues on some loans and the applicable interest rates are detailed in notes 14 and 15.

28. Ultimate parent undertaking and controlling party

The directors regard Golden Horn NV, a company incorporated in the Netherlands Antilles, as the company's immediate parent company.

The directors consider King Lun Holdings Limited, a company incorporated in the BVI, to be the ultimate parent undertaking and controlling party.

The smallest group in which the results of the company are consolidated is that headed by Li & Fung Limited, a company incorporated in Bermuda. These financial statements are not available to the public. The address of its registered office is 11th Floor, LiFung Tower, 888 Cheung Sha Wan Road, Kowloon, Hong Kong.

The largest group in which the results of the company are consolidated is that headed by Golden Lincoln Holdings II Limited, a company incorporated in the Cayman Islands. These financial statements are not available to the public. The address of its registered office is: Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.