

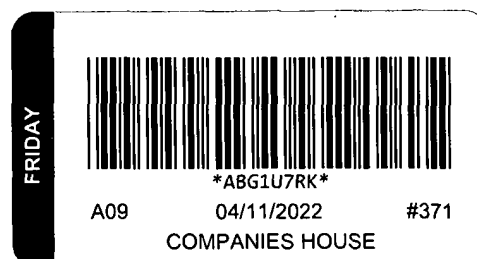
Bawtry Carbon (Holdings) Limited

Annual Report and Financial Statements

Year Ended

31 December 2021

Company Number 12242451



Bawtry Carbon (Holdings) Limited

Company Information

Directors	C D Hammerton M A Sanderson C Cormack K A Chapman J D Blythe
Registered number	12242451
Registered office	High Street Austerfield Doncaster DN10 6QT
Independent auditor	BDO LLP Central Square 29 Wellington Street Leeds LS1 4DL

Bawtry Carbon (Holdings) Limited

Contents

	Page
Group Strategic Report	1 - 2
Directors' Report	3 - 4
Directors' Responsibilities Statement	5
Independent Auditor's Report	6 - 9
Consolidated Statement of Comprehensive Income	10
Consolidated Statement of Financial Position	11
Company Statement of Financial Position	12
Consolidated Statement of Changes in Equity	13
Company Statement of Changes in Equity	14
Consolidated Statement of Cash Flows	15 - 16
Notes to the Financial Statements	17 - 35

Bawtry Carbon (Holdings) Limited

Group Strategic Report For the Year Ended 31 December 2021

The Directors present their Strategic Report together with the audited financial statements for the year ended 31 December 2021.

Principal activities

The principle activity of the Company is the manufacture and distribution of graphitic & semi graphitic carbon cathode blocks and pastes for the global aluminium smelting industry.

Business review

The length of the prior year financial period was 15 months from October 2019 until 31st December 2020.

Following the disruption caused by Covid-19 in 2020 worldwide demand for aluminium increased which in turn increased demand for cathodes and ramming paste manufactured by Bawtry Carbon Limited.

The key challenges in 2021 were shortages of raw materials, higher energy, people and transport costs and uncertainty as the world emerged from the pandemic.

Key to maintaining profitability was careful margin management and pass through of cost increases.

During 2021 the business increased investment in research and development.

Strategy

The strategy is to design and manufacture market leading cathodes and ramming paste, and to offer superior service and technical support to our customers.

Principal risks and uncertainties

The Group operates in a competitive industry with an global customer base and as such is subject to the normal business risks associated with such global reach.

Market Risk

Demand for the Company's products is impacted by the price for aluminium products quoted on the London Metal Exchange (LME). The trading performance is linked to fluctuations in raw materials and energy costs. The Company has a long term policy of hedging energy and entering into long term contracts for raw materials where possible.

Credit Risk

The business is exposed to the credit risk of its debtor's book. The business engages with credit insurance agencies and limits exposure to uninured accounts.

Currency Risk

The Group is exposed to foreign currency exchange risk. The Group manages this risk by plain forward currency contracts which watch the payment and receipt profile.

Bawtry Carbon (Holdings) Limited

Group Strategic Report (continued) For the Year Ended 31 December 2021

Principal risks and uncertainties (continued)

Covid Risk

The Company was affected by Covid-19 in 2020 and developed procedures and practices designed to prevent and contain any future outbreak. The successful roll out of the vaccine in the UK has limited the risk considerably.

Brexit Risk

In June 2016 the UK voted to leave the European Union. The company has not seen any significant negative impact from Brexit and the majority of sales are delivered outside the European Union.

Energy Risk

The Company has hedged energy purchases for future years and monitors the wholesale gas market continuously.

Key performance indicators

The Directors continue to monitor the Group's various key performance indicators (KPI's) and the Group specific measures in order to gauge the Group's financial position against annual targets.

In £ thousands	2021	2020
Turnover	21,318	18,560
Operating profit	1,762	4,206

This report was approved by the board on 31st October 2022 and signed on its behalf.



KA Chapman (Oct 31, 2022 21:33 GMT)

K A Chapman
Director

Bawtry Carbon (Holdings) Limited

Directors' Report For the Year Ended 31 December 2021

The Directors present their report together with audited financial statements for the year ended 31 December 2021.

Principal activity

The principal activity of the Group is for the manufacture of carbon products. The principal activity of the Company is that of a holding Company.

Results and dividends

The profit for the year, after taxation, amounted to £1,576,000 (15 month period ended 31 December 2020 - £3,906,000).

No ordinary dividends were paid. The Directors do not recommend payment of a final dividend.

Directors

The Directors who served during the year were:

C D Hammerton
M A Sanderson
C Cormack
K A Chapman
J D Blythe

The Directors are not subject to retirement by rotation.

Going concern

Following the outbreak of COVID in 2020 the business mothballed the site for a period of 4 months and either fulfilling existing orders prior to or shortly after the moth balling period. This resulted in nearly a full quarter of lost revenue in 2020. The long tail impact of COVID 19 was felt as late as the second half of 2021 when shipping costs rose quickly which for the business impacted the import costs of raw materials seeing them rise in excess of 50%.

All banking covenants were met which the business was able to attain as a result of cost reduction exercises that the management carried out which included:

- A controlled shut down of the Kiln
- Use of the government Furlough Scheme
- A restructure of the business
- Realignment of IT infrastructure

Due to the business activities being-nearly 100% export with many of our customers being in some of the worlds most affected countries. Management keep in regular contact with customers to ensure that any issues are managed appropriately.

Bawtry Carbon (Holdings) Limited

Directors' Report (continued) For the Year Ended 31 December 2021

Going concern (continued)

The Directors have prepared forecasts for a period through to December 2023. These forecasts have been based on a full order book which gives the Directors foresight of the expected levels of revenue and cash that will be generated with a good level of certainty. Notwithstanding this the Directors have considered factors that could impact upon this and the consequences on profitability and cash generation including changes in direct raw material costs and freight costs. The business has strategies in place for hedging energy and currency fluctuations. Even in a reasonable worst-case scenario the Directors expect that the business would have sufficient resources at its disposal to meet liabilities as they fall due. On this basis they have continued to the prepare the Group and Parent Company accounts on a going concern basis.

Post balance sheet event

In February 2022 production was disrupted for three and a half weeks due to a kiln explosion on site. This is a non-adjusting event which is covered by the group's business interruption insurance which covers a 24 month indemnity period.

Disclosure of information to auditor


Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware; and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on **31st October 2022** and signed on its behalf.


Jonathan Blythe (Oct 31, 2022 21:27 GMT)

**J D Blythe
Director**

Bawtry Carbon (Holdings) Limited

Directors' Responsibilities Statement For the Year Ended 31 December 2021

The Directors are responsible for preparing the Group Strategic Report, the Directors' Report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and Company for that period.

In preparing these financial statements, the Director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

Bawtry Carbon (Holdings) Limited

Independent Auditor's Report to the Members of Bawtry Carbon (Holdings) Limited

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2021 and of the Group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Bawtry Carbon (Holdings) Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2021 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statement of Financial Position, the Consolidated and Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Independence

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Bawtry Carbon (Holdings) Limited

Independent Auditor's Report to the Members of Bawtry Carbon (Holdings) Limited (continued)

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our Auditor's Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Bawtry Carbon (Holdings) Limited

Independent Auditor's Report to the Members of Bawtry Carbon (Holdings) Limited (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

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:

As part of the audit we gained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates, and considered the risk of acts by the company that were contrary to applicable laws and regulations, including fraud. We considered the company's compliance with laws and regulations that have a direct impact on the financial statements including, but not limited to, UK company law and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the company financial statements.

Based on our understanding we designed our audit procedures to identify instances of non-compliance with such laws and regulations. Our procedures included reviewing the financial statement disclosures and agreeing to underlying supporting documentation where necessary. We made enquiries of management and of the directors as to the risks of non-compliance and any instances thereof. We also addressed the risk of management override of internal controls, including testing journal entries processed during and subsequent to the period and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud. In respect of the risk of fraud in revenue we focused our testing specifically on revenue being recorded in inappropriate periods, evidence of any fictitious transactions and manual journals to revenue.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that 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, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

Bawtry Carbon (Holdings) Limited

Independent Auditor's Report to the Members of Bawtry Carbon (Holdings) Limited (continued)

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
Neil Ebdon
DC0D99BB4F07404...

Neil Ebdon (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Leeds
United Kingdom

Date: 02 November 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Bawtry Carbon (Holdings) Limited

Consolidated Statement of Comprehensive Income For the Year Ended 31 December 2021

		Year ended 31 December 2021 £000	15 month Period ended 31 December 2020 £000
	Note		
Turnover	4	21,318	18,560
Cost of sales		(17,352)	(15,976)
Gross profit		3,966	2,584
Administrative expenses		(3,638)	(4,029)
Negative goodwill amortisation		1,356	5,146
Other operating income		78	505
Operating profit	5	1,762	4,206
Interest payable and similar charges	9	(357)	(429)
Profit before tax		1,405	3,777
Tax on profit	10	171	129
Profit for the financial year		1,576	3,906
Other comprehensive income		-	-
Total comprehensive income for the year		1,576	3,906
Profit for the year attributable to:			
Owners of the Parent Company		1,576	3,906


The notes on pages 17 to 35 form part of these financial statements.

Bawtry Carbon (Holdings) Limited
Registered number: 12242451

Consolidated Statement of Financial Position
As at 31 December 2021

	Note	31 December 2021 £000	31 December 2021 £000	31 December 2020 £000	31 December 2020 £000
Fixed assets					
Intangible assets	11		(1,542)		(2,898)
Tangible assets	12		4,422		5,434
			<u>2,880</u>		<u>2,536</u>
Current assets					
Stocks	14	8,129		4,984	
Debtors: amounts falling due within one year	15	4,678		3,542	
Cash at bank and in hand		781		2,494	
		<u>13,588</u>		<u>11,020</u>	
Creditors: amounts falling due within one year	16	(4,683)		(2,952)	
Net current assets			<u>8,905</u>		<u>8,068</u>
Total assets less current liabilities			<u>11,785</u>		<u>10,604</u>
Creditors: amounts falling due after more than one year	17		(6,193)		(6,588)
Net assets			<u><u>5,592</u></u>		<u><u>4,016</u></u>
Capital and reserves					
Called up share capital	20		-		-
Share premium account	21		110		110
Profit and loss account	21		5,482		3,906
Total equity			<u><u>5,592</u></u>		<u><u>4,016</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
31st October 2022.


Jonathan Blythe (Oct 31, 2022 21:27 GMT)

J D Blythe
Director

The notes on pages 17 to 35 form part of these financial statements.


Bawtry Carbon (Holdings) Limited
Registered number: 12242451

Company Statement of Financial Position
As at 31 December 2021

	Note	31 December 2021 £000	31 December 2021 £000	31 December 2020 £000	31 December 2020 £000
Fixed assets					
Investments	13		-		-
Current assets					
Debtors: amounts falling due within one year	15	3,846		4,203	
Creditors: amounts falling due within one year	16	(1)		(1)	
Net current assets			3,845		4,202
Creditors: amounts falling due after more than one year	17		(4,075)		(4,075)
Net (liabilities)/assets			(230)		127
Capital and reserves					
Called up share capital	20		-		-
Share premium account	21		110		110
Profit and loss account	21		(340)		17
Total equity			(230)		127

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The loss after tax of the Parent Company for the year was £374,479 (15 month period ended 31 December 2020 - £17,000).

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
31st October 2022.


Jonathan Blythe (Oct 31, 2022 21:27 GMT)

J D Blythe
Director

The notes on pages 17 to 35 form part of these financial statements.

Bawtry Carbon (Holdings) Limited

Consolidated Statement of Changes in Equity For the Year Ended 31 December 2021

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
At 1 January 2021	-	110	3,906	4,016
Comprehensive income for the year				
Profit for the year	-	-	1,576	1,576
Total comprehensive income for the year	-	-	1,576	1,576
At 31 December 2021	-	110	5,482	5,592

Consolidated Statement of Changes in Equity For the Period Ended 31 December 2020

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
As at incorporation on 3 October 2019	-	-	-	-
Comprehensive income for the period				
Profit for the period	-	-	3,906	3,906
Total comprehensive income for the period	-	-	3,906	3,906
Contributions by and distributions to owners				
Shares issued during the period	-	110	-	110
Total transactions with owners	-	110	-	110
At 31 December 2020	-	110	3,906	4,016

The notes on pages 17 to 35 form part of these financial statements.

Bawtry Carbon (Holdings) Limited

Company Statement of Changes in Equity For the Year Ended 31 December 2021

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
At 1 January 2021	-	110	17	127
Comprehensive income for the year				
Loss for the year	-	-	(357)	(357)
	-	-	(357)	(357)
Total comprehensive income for the year				
	-	110	(340)	(230)
At 31 December 2021	-	110	(340)	(230)

Company Statement of Changes in Equity For the Period Ended 31 December 2020

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
As at incorporation on 3 October 2019	-	-	-	-
Comprehensive income for the period				
Profit for the period	-	-	17	17
	-	-	17	17
Total comprehensive income for the period				
Contributions by and distributions to owners				
Shares issued during the period	-	110	-	110
	-	110	-	110
Total transactions with owners				
	-	110	17	127
At 31 December 2020	-	110	17	127

The notes on pages 17 to 35 form part of these financial statements.

Bawtry Carbon (Holdings) Limited

Consolidated Statement of Cash Flows For the Year Ended 31 December 2021

	Year ended 31 December 2021 £000	15 month Period ended 31 December 2020 £000
Cash flows from operating activities		
Profit for the financial year/period	1,576	3,906
Adjustments for:		
Depreciation of tangible assets	1,185	1,553
Government grants	(78)	-
Interest paid	357	31
Taxation charge	(171)	(130)
Increase in stocks	(3,145)	(1,858)
Increase in debtors	(979)	(2,058)
Increase in creditors	1,049	2,952
Negative goodwill amortisation	(1,356)	(5,146)
Net cash generated from operating activities	(1,562)	(750)
Cash flows from investing activities		
Purchase of tangible fixed assets	(173)	(913)
Acquisition of business net of cash acquired	-	(2,575)
Government grants received	78	-
Repayments of loan to directors	18	-
Net cash from investing activities	(77)	(3,488)
Cash flows from financing activities		
Net movement on credit facility loan	283	-
Draw downs on other borrowings	-	4,250
Draw downs on bank loans	-	2,513
Interest paid	(357)	(31)
Net cash used in financing activities	(74)	6,732
Net (decrease)/increase in cash and cash equivalents	(1,713)	2,494

Bawtry Carbon (Holdings) Limited

Consolidated Statement of Cash Flows (continued) For the Year Ended 31 December 2021

	2021 £000	2020 £000
Cash and cash equivalents at beginning of year/period	2,494	-
Cash and cash equivalents at the end of year/period	781	2,494
Cash and cash equivalents at the end of year/period comprise:		
Cash at bank and in hand	781	2,494
	781	2,494

Bawtry Carbon (Holdings) Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

1. General information

Bawtry Carbon (Holdings) Limited is a private Company limited by shares, incorporated in England & Wales under the Companies Act. The address of the registered office is given on the contents page and the nature of the Group and Parent Company's operations and its principal activities are set out in the Strategic Report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies.

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements.

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

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

Bawtry Carbon (Holdings) Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

2.3 Going concern

Following the outbreak of COVID in 2020 the business mothballed the site for a period of 4 months and either fulfilling existing orders prior to or shortly after the moth balling period. This resulted in nearly a full quarter of lost revenue in 2020. The long tail impact of COVID 19 was felt as late as the second half of 2021 when shipping costs rose quickly which for the business impacted the import costs of raw materials seeing them rise in excess of 50%.

All banking covenants were met which the business was able to attain as a result of cost reduction exercises that the management carried out which included:

- A controlled shut down of the Kiln
- Use of the government Furlough Scheme
- A restructure of the business
- Realignment of IT infrastructure

Due to the business activities being-nearly 100% export with many of our customers being in some of the worlds most affected counties including India. management keep in regular contact with customers to ensure that any issues are managed appropriately.

The Directors have prepared forecasts for a period through to December 2023. These forecasts have been based on a full order book which gives the Directors foresight of the expected levels of revenue and cash that will be generated with a good level of certainty. Not with standing this the Directors have considered factors that could impact upon this and the consequences on profitability and cash generation including changes in direct raw material costs and freight costs. The business has strategies in place for hedging energy and currency fluctuations. Even in a reasonable worst-case scenario the Directors expect that the business would have sufficient resources at its disposable to meet liabilities as they fall due. On this basis they have continued to the prepare the Company accounts on a going concern basis.

Bawtry Carbon (Holdings) Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

2.4 Foreign currency translation

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

2.5 Revenue

Revenue from the sales of goods is recognised when the Company has transferred the significant risks and rewards of ownership to the buyer and it is probable that the Company will receive the previously agreed upon payment, this depends on what incoterms are apparent for each sale. Typically this is when the goods leave the site at Bawtry.

2.6 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to the Consolidated Statement of Comprehensive Income on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.7 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Consolidated Statement of Comprehensive Income in the same period as the related expenditure.

Bawtry Carbon (Holdings) Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

2.8 Finance costs

Finance costs are charged to the Consolidated Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.9 Borrowing costs

All borrowing costs are recognised in the Consolidated Statement of Comprehensive Income in the year in which they are incurred.

2.10 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Group in independently administered funds.

2.11 Investments

Investments in subsidiaries are measured at cost less accumulated impairment. Differences between contingent consideration expected at the date of acquisition and the actual amounts paid are recorded as a subsequent adjustment to the value of the investment.

2.12 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight-line basis to the Consolidated Statement of Comprehensive Income over its useful economic life.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

At each reporting date the Company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

Bawtry Carbon (Holdings) Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

2.12 Intangible assets (continued)

Negative goodwill

Negative goodwill, up to the fair value of non-monetary assets acquired is recognised in the Consolidated Statement of Comprehensive Income in the periods in which the non-monetary assets are recovered.

2.13 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to the Consolidated Statement of Comprehensive Income during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Land and buildings	- 25 years
Plant, machinery and vehicles	- 10 - 15 years
Computer software and equipment	- 3 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Statement of Comprehensive Income.

2.14 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the Consolidated Statement of Comprehensive Income..

2.15 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Bawtry Carbon (Holdings) Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

2.16 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

2.17 Financial instruments

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a Director in the case of a small Company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.18 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Bawtry Carbon (Holdings) Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

2.19 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the reporting date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

The cost of stock includes labour and overhead costs that are attributable to the production of finished goods. At the year end management estimate the cost of labour and overhead by reference to actual costs incurred over the estimated production period of finished goods held at the balance sheet date.

Impairment is considered on all balance sheet assets on an ongoing basis where there is an indicator of impairment. Where such an indicator is present management carry out an assessment of recoverability of the respective asset.

Bawtry Carbon (Holdings) Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

4. Turnover

Analysis of turnover by country of destination:

	Year ended 31 December 2021 £000	15 month Period ended 31 December 2020 £000
United Kingdom	63	100
Rest of Europe	6,197	6,442
Rest of the world	15,058	12,018
	21,318	18,560

5. Operating profit/(loss)

The operating profit is stated after charging/(crediting):

	Year ended 31 December 2021 £000	15 month Period ended 31 December 2020 £000
Depreciation of tangible fixed assets	1,185	1,552
Negative goodwill amortisation	(1,356)	(5,146)
Exchange differences	(128)	173
Furlough income from government	87	505

6. Auditor's remuneration

	Year ended 31 December 2021 £000	15 month Period ended 31 December 2020 £000
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	25	25
Fees payable to the Group's auditor and its associates in respect of:		
Taxation compliance services	4	2

Bawtry Carbon (Holdings) Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

7. Employees

The average monthly number of employees, including the Directors, during the year was as follows:

	Year ended 31 December 2021 No.	15 month Period ended 31 December 2020 No.
Production	48	46
Management, technical and admin	36	32
Directors	4	4
	<u>88</u>	<u>82</u>

Staff costs, including Directors' remuneration, were as follows:

	Year ended 31 December 2021 £000	15 month Period ended 31 December 2020 £000
Wages and salaries	3,738	3,616
Social security costs	403	300
Cost of defined contribution scheme	262	224
	<u>4,403</u>	<u>4,140</u>

Bawtry Carbon (Holdings) Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

8. Directors' remuneration

	Year ended 31 December 2021 £000	15 month Period ended 31 December 2020 £000
Directors' emoluments	379	353
Social security costs	47	44
Cost of defined contribution scheme	26	24
	<u>452</u>	<u>421</u>

The highest paid Director received remuneration of £132,348 (15 month period ended 31 December 2020 - £174,905) including pension contributions of £11,250 (15 month period ended 31 December 2020 - £12,261).

9. Interest payable and similar charges

	Year ended 31 December 2021 £000	15 month Period ended 31 December 2020 £000
Interest expense on revolving credit facility	<u>357</u>	<u>429</u>

Bawtry Carbon (Holdings) Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

10. Taxation

	Year ended 31 December 2021 £000	15 month Period ended 31 December 2020 £000
Corporation tax		
Current tax on profits for the year/period	3	1
Total current tax	<u>3</u>	<u>1</u>
Deferred tax		
Origination and reversal of timing differences	(27)	(130)
Adjustments in respect of prior tax periods	(80)	-
Effect of tax rate change on opening balance	(67)	-
Total deferred tax	<u>(174)</u>	<u>(130)</u>
Taxation on profit	<u>(171)</u>	<u>(129)</u>

Factors affecting tax credit for the year/period

The tax assessed for the year is lower than (15 month period ended 31 December 2020 - lower than) the standard rate of corporation tax in the UK of 19% (15 month period ended 31 December 2020 - 19 %). The differences are explained below:

	Year ended 31 December 2021 £000	15 month Period ended 31 December 2020 £000
Profit on ordinary activities before tax	<u>1,405</u>	<u>3,777</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (15 month period ended 31 December 2020 -19 %)	263	718
Effects of:		
Fixed asset differences	(282)	(951)
Expenses not deductible for tax purposes	1	99
R&D expenditure credits	-	5
Adjustments to tax charge in respect of previous periods - deferred tax	(80)	-
Remeasurement of deferred tax for changes in tax rates	(73)	-
Total tax credit for the year	<u>(171)</u>	<u>(129)</u>

Bawtry Carbon (Holdings) Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

10. Taxation (continued)

Factors that may affect future tax charges

An increase in the future main corporation tax rate to 25% from 1 April 2023, from the previously enacted 19%, was announced at the budget on 3 March 2021, and substantively enacted on 24 May 2021. The deferred tax balance as at 31 December 2020 has been calculated based on the rate as at the Statement of Financial Position date which was 25%.

11. Intangible assets

Group and Company

	Negative goodwill £000
Cost	
At 1 January 2021	(8,044)
At 31 December 2021	<u>(8,044)</u>
Amortisation	
At 1 January 2021	(5,146)
Charge for the year	(1,356)
At 31 December 2021	<u>(6,502)</u>
Net book value	
At 31 December 2021	<u><u>(1,542)</u></u>
At 31 December 2020	<u><u>(2,898)</u></u>

Bawtry Carbon (Holdings) Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

12. Tangible fixed assets

Group

	Land and buildings £000	Plant, machinery and vehicles £000	Computer software and equipment £000	Total £000
Cost or valuation				
At 1 January 2021	2,836	4,096	55	6,987
Additions	-	170	3	173
At 31 December 2021	2,836	4,266	58	7,160
Depreciation				
At 1 January 2021	50	1,500	3	1,553
Charge for the year	37	1,138	10	1,185
At 31 December 2021	87	2,638	13	2,738
Net book value				
At 31 December 2021	2,749	1,628	45	4,422
At 31 December 2020	2,786	2,596	52	5,434

13. Fixed asset investments

Company

	£000
Cost or valuation	
At 1 January 2021 and at 31 December 2021	1

Name	Registered office	Class of shares	Holding
Bawtry Carbon Limited	High Street, Austerfield Doncaster, DN10 6QT	Ordinary	100%

Bawtry Carbon (Holdings) Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

14. Stocks

	Group 31 December 2021 £000	Group 31 December 2020 £000
Raw materials and consumables	2,509	2,686
Work in progress	4,307	1,996
Finished goods and goods for resale	1,313	302
	<u>8,129</u>	<u>4,984</u>

15. Debtors

	Group 31 December 2021 £000	Group 31 December 2020 £000	Company 31 December 2021 £000	Company 31 December 2020 £000
Trade debtors	2,153	1,988	-	-
Amounts owed by group undertakings	-	-	3,846	4,203
Loans to directors	72	90	-	-
Prepayments and accrued income	1,739	996	-	-
Other taxation and social security	410	338	-	-
Deferred taxation	304	130	-	-
	<u>4,678</u>	<u>3,542</u>	<u>3,846</u>	<u>4,203</u>

The amounts owed from Group undertakings are unsecured, interest-free, have no fixed repayment date and are receivable on demand.

The loans to the directors are interest-free.

Bawtry Carbon (Holdings) Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

16. Creditors: amounts falling due within one year

	Group 31 December 2021 £000	Group 31 December 2020 £000	Company 31 December 2021 £000	Company 31 December 2020 £000
Bank loans	395	-	-	-
Credit facility loan	1,698	1,415	-	-
Trade creditors	1,219	427	-	-
Corporation tax	-	1	1	1
Other taxation and social security	393	474	-	-
Other creditors and accruals	978	635	-	-
	<u>4,683</u>	<u>2,952</u>	<u>1</u>	<u>1</u>

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

	Group 31 December 2021 £000	Group 31 December 2020 £000	Company 31 December 2021 £000	Company 31 December 2020 £000
Bank loans	2,118	2,513	-	-
Revolving credit facility	4,075	4,075	4,075	4,075
	<u>6,193</u>	<u>6,588</u>	<u>4,075</u>	<u>4,075</u>

Bawtry Carbon (Holdings) Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

18. Loans

Analysis of the maturity of loans is given below:

	Group 31 December 2021 £000	Group 31 December 2020 £000	Company 31 December 2021 £000	Company 31 December 2020 £000
Amounts falling due within one year				
Bank loans	395	-	-	-
Credit facility loans	1,698	1,415	-	-
Amounts falling due 1-2 years				
Bank loans	526	750	-	-
Amounts falling due 2-5 years				
Bank loans	1,592	1,500	-	-
Revolving credit facility	4,075	4,075	4,075	4,075
Amounts falling due after more than 5 years				
Bank loans	-	263	-	-
	8,286	8,003	4,075	4,075

The bank loans have an effective interest rate of 2.1% and are repayable by 30th June 2026. The revolving credit facility has an interest rate of 8.0% and is repayable in five years time. The credit facility loan is secured against the trade debtors of the Group and due for repayment within one year.

Notes to the Financial Statements For the Year Ended 31 December 2021

Group

	Group 31 December 2021 £000	Group 31 December 2020 £000
Fixed asset timing differences	(292)	42
Short term timing differences	(12)	(5)
Losses and other deductions	-	167
	<u>304</u>	<u>130</u>

	31 December 2021 £000	31 December 2020 £000
Allotted, called up and fully paid		
33,709 ordinary shares of £0.01 each	-	-

Bawtry Carbon (Holdings) Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

21. Reserves

The Group and Company's capital and reserves are as follows:

Called up Share Capital

Called up share capital represents the nominal value of the shares Issued less transaction costs.

Share Premium accounts

The share premium account represents the premium on issue of equity shares, net of any issue costs.

Profit and loss account

The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

22. Analysis of net debt

	At 1 January 2021 £000	Cash flows £000	Other non- cash changes £000	At 31 December 2021 £000
Cash at bank and in hand	2,494	(1,713)	-	781
Debt due after 1 year	(6,588)	-	395	(6,193)
Debt due within 1 year	(1,415)	(283)	(395)	(2,093)
	<u>(5,509)</u>	<u>(1,996)</u>	<u>-</u>	<u>(7,505)</u>

Non-cash flow relates to £395,000 of bank loans now being due within one year.

23. Pension commitments

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £261,596 (15 month period ended 31 December 2020 - £223,859). Contributions totalling £83,045 (15 month period ended 31 December 2020 - £26,693) were payable to the fund at the reporting date and are included in creditors.

Bawtry Carbon (Holdings) Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

24. Related party transactions

Key management personnel include all Directors of the Group who together have authority and responsibility for planning, directing and controlling the activities of the Group. The total compensation paid to key management personnel for services provided to the Group is disclosed in note 9.

Directors

C Hamnerton, J Blythe, M Sanderson and K Chaprman are Directors of the Company. C Hamnerton has an equity interest in the A ordinary shares of Bawtry Carbon (Holdings) Limited. During the year the Company entered into transaction in the normal course of business with C Hamnerton, J Blythe and M Sanderson as follows:

- Issue of loan notes of principal amount £72,000 (15 month period ended 31 December 2020 - £89,988).

- The amount owed in relation to the above loan notes at 31 December 2021 is £72,000 (at 31 December 2020 - £89,988)

Endless LLP

Endless LLP are a related party by virtue of their equity interest in A ordinary shares of the Company.

Through the year the Group and Company entered into transactions in the normal course of business with Endless LLP as follows:

- issue of loan notes of principal amount £Nil (15 month period ended 31 December 2020 - £4,250,000)
- Payment of monitoring fees of £174,000 (15 month period ended 31 December 2020 - £174,000)

- Interest expense of £375,404 in the year in respect of the loan notes (15 month period ended 31 December 2020 - £398,425)

25. Subsequent events

In February 2022 production was disrupted for three and a half weeks due to a kiln explosion on site. This is a non-adjusting event which is covered by the groups business interruption insurance which covers a 24 month indemnity period.

26. Ultimate Parent Company

The ultimate Parent undertaking of the Company is Enact II GP LLP, which is registered in England.