

Ecobat Resources UK Limited (formerly H J Enthoven Limited)

Report and Financial Statements

31 December 2021

Registered No. 2821551

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COMPANIES HOUSE

Company Information

Directors

A R Hampson
B Hunt
J Manning

Secretary

D Terrell

Auditors

Ernst & Young LLP
No 1 Colmore Square
Birmingham B4 6HQ

Registered Office

Darley Dale Smelter
South Darley
Matlock
Derbyshire DE4 2LP

Strategic report

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

Principal activities and review of the business

The principal activity of the Company during the year was to operate as smelters, refiners, manufacturers and marketers of lead and lead products. The Company traded on a divisional basis under the names H J Enthoven & Sons, British Lead Mills and Ecobat Logistics UK. The activities of the Company are not expected to change in the foreseeable future.

Subsequent to the year end the company name has been changed to Ecobat Resources UK Limited to be more consistent with the Ecobat Group brand.

The directors consider that the key performance indicators that enable an understanding of the Company's business performance are the London Metal Exchange ('LME') price of lead, raw material cost (e.g.: used lead acid batteries, scrap lead), volumes of lead sold, the margins achieved, and its ability to control manufacturing costs.

The profit for the year after taxation amounted to £10.2 million (2020 – £1.6 million).

The Company's turnover increased from £146.6 million in 2020 to £172.0 million in 2021, an increase of 17.3%, primarily due to an increase in the average LME price of lead, up from an average of £1,420 per tonne in 2020 to an average of £1,603 per tonne in 2021. There was a small increase (0.8%) in volumes.

Gross profit margins increased from 8.8% of turnover in 2020 to 15.2% in 2021, primarily due to a decrease in the cost of raw materials as a percentage of revenue.

Distribution expenses have increased by 39.9% primarily due to the increase in shipments to Europe in 2021, back to pre-covid levels and changes in delivery terms.

Administration expenses have increased by 11.8% primarily due to the increase in insurance, pension admin costs and employee costs in 2021.

Exceptional operating income in 2020 was £1.4 million in relation to the CMA investigation. On 11 July 2017, the Competition and Markets Authority ("CMA") carried out an inspection visit at the Group's lead sheet operation in the UK. In 2019, the Company accrued the initial indicative settlement with the CMA and made an accrual of £9.5m in accruals. On October 27, 2020, the Case Decision Group reached a decision on the final settlement calculation. The final amount was reduced to £8.1m and the Company has therefore submitted the payments and settled the case in December 2020

Principal risks and uncertainties

The key risks affecting the Company are the lack of availability and stiff competition for its raw materials, the ability to sell economically into geographical sectors outside of those in which it operates, the relative strength of sterling and the influence of the LME price of lead. Recent increases in energy costs are a high risk to the business, the management team are closely monitoring this. There are a number of capital expenditure projects in place in 2022 to improve throughput and efficiency, reducing energy usage. In the last quarter of 2022, H J Enthoven & Sons are installing a gas turbine which will produce enough electricity to run the smelting facility.

Regulatory risk

The Company's activities are subject to strict health, safety and environmental regulations and its objective is always to be compliant with all applicable regulations with no harm to people, no impact to property and continuous improvement in our environmental performance. There have been no material health and safety or environmental incidents during the year.

Strategic report (continued)

Principal risks and uncertainties (*continued*)

Commodity price risk

The Company is exposed to short term movements in the prices of the products it produces which are generally sold as commodities, the prices of which are exposed to world markets. The Company limits this exposure by systematically hedging a proportion of its purchases against the financial effect of future price changes where such commercial hedging can be achieved at an acceptable cost.

Impairment risk

The Company is exposed to the risk of impairment of its fixed assets, which is dependent on the financial performance of its operations. Impairment is assessed on at least an annual basis by comparing the carrying value of the assets against the higher of the fair value less costs to sell and the future discounted cash flows of the individual operations.

Defined Benefit pension risk

As with most UK Defined Benefit pension schemes, the H J Enthoven Ltd Pension Scheme is exposed to both financial risk (including changes in the value of growth assets, long-term interest rates, and long-term price inflation expectations) as well as demographic risks (most notably, life expectancy).

The Company works with its Trustee Board and professional advisers to actively manage these risks.

In recent years The Company, introduced a pensionable pay cap and other benefit changes from 5 April 2015 to reduce the Scheme's deficit and reduce the build-up of future risk exposure.

Since 2016, the Scheme has adopted a fiduciary investment management approach, whereby the day-to-day investment management and operation is overseen by a third party specialist appointed by the Trustees. This enables the Scheme to access a more diversified portfolio of growth assets, whilst also introducing greater hedging of interest rates and inflation movements through Liability Driven Investment products (LDI). This approach has led to a substantial reduction in risk exposure.

The Company continues to work with its professional advisers and the Trustees to evaluate ways to further reduce risk and improve the robustness of the Pension Scheme.

Brexit risk

On 1 January 2021 the United Kingdom withdrew from the European Union, commonly referred to as "Brexit", the Company was prepared for the withdrawal, therefore there was no and there is unlikely to be any significant impact on day to day operations or future plans.

Ukraine Russia conflict risk

Following the deployment of Russian troops into the Ukraine in February 2022 and resultant war, there has been widespread global economic consequences including rising fuel prices and higher levels of inflation. The Company has neither suppliers nor customers based in either Russia or the Ukraine. There have been no direct consequences to the business of this conflict at the date of this report. The directors continue to monitor the wider economic conditions and the future impact this may have on our operating costs and business continuity plans.

Funding and liquidity

At the year end, the Company's core long term funding is through a mix of external loans, intra-group long term loans and share capital. The Company has entered into cash pooling arrangements with other Group companies whereby certain cleared bank balances are automatically transferred to, or from, the Company on a daily basis. The Company also has the ability to borrow under the Ecobat LLC Group facilities (Ecobat LLC and its subsidiaries, collective 'the Group').

The Group's main funding was provided by its committed borrowing facilities of £168.9 million (2020 – £140.9 million), of which £76.6 million (2020 – £61.3 million) was unused. The Group had a further £9.3 million (2020 – £9.9 million) of uncommitted facilities of which £6.4 million (2020 – £2.6 million) was unused at the year-end. The Group's committed facilities are subject to certain covenants and conditions, including change of control provisions.

The Company considers it has sufficient facilities and support from Ecobat LLC to cover its peak financing requirements for at least the next twelve months.

Strategic report (continued)

Principal risks and uncertainties (*continued*)

Foreign currency risk

In order to protect the Company's sterling denominated balance sheet and reduce cash flow risk, the Company has substantially eliminated the effect of its structural currency exposure by borrowing and lending in the same currency. The Company is also exposed to foreign exchange risk on a proportion of its sales and purchases. It mitigates this risk by entering into forward exchange contracts.

Counterparty and credit risks

The largest concentration of credit exposure within the Company relates to amounts due from customers, cash and cash equivalents held with banks and other financial institutions, and financial derivative counterparties.

It is Company policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis and if the Company becomes aware of deterioration in a customer's credit worthiness then that customer's credit terms are reassessed by management so as to reduce the Company's exposure to bad debts. In addition, the Ecobat LLC group currently has in place credit insurance policies in which the Company participates to insure a proportion of its trade receivables, so as to reduce the exposure to bad debts. The maximum credit risk exposure relating to trade receivables is represented by their carrying values as at the balance sheet date less amounts refundable under insurance policies.

With respect to credit risk arising from the other financial assets of the Company, which comprise cash and cash equivalents, and certain derivative instruments, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The Company only places significant amounts of funds with recognised financial institutions with strong credit ratings and does not consider the credit risk exposure to be significant. Counterparty risk for cash on deposit is monitored continuously, with investment limits and maturity periods subject to regular formal approval. Counterparties selected must have a minimum 'A' rating from both Moody's and Standard & Poor's.

Similarly, the Company only enters into financial derivative contracts with creditworthy counterparties and seeks to obtain guarantees from parental entities where appropriate; the credit risk is not considered to be significant.

On behalf of the Board



A Hampson
Director
20 October 2022

Registered No. 2821551

Directors' report

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

Results and dividends

The profit for the year after taxation amounted to £10.2 million (2020 – £1.6 million). No dividend was declared or paid in the year (2020 – £nil). A review of the business is included within the Strategic Report.

Outlook

The principal markets for the Company's products are the battery manufacturing industry, building and construction sector, and reprocessing of used non-lead batteries. In addition, the Company benefits from having its own battery collection division. The average LME price for lead in the first seven months of 2022 was £1,731, this was higher than the annual average LME lead price of £1,603 for 2021 and £1,522 for the first seven months of 2021. Against the continuation of the highly competitive commercial environment, the Company will continue to plan for a continuance of what are historically lower scrap margins. Management will have a continued focus on working capital management and market and foreign exchange volatility. From a competitive standpoint, we believe that we are well suited to weather this period and we have reasonable levels of raw materials to achieve a satisfactory level of plant utilisation and to meet our contract obligations.

The Company continues to build relationships with its customers to offer secure regional supply and continues to search for ways to improve the performance of its lead alloys and enhanced ultra-refined lead products. The Company together with its other Group affiliates is working towards the identification and development of technology for the safe recycling of alternative battery chemistries including lithium-ion recycling, as well as improving production technologies, capacities and capabilities across its plants.

Financial Risk Management

Under S414c(11) of the Company's Act, the Company's objectives and policies for financial risk management and its exposure to commodity price risk, funding and liquidity risk, foreign currency risk and credit risk are not shown in the Directors Report as they are provided in the principal risks and uncertainties section of the Strategic Report.

Going concern

At the end of 2021, the Company had £3.5m of gross cash and had drawn down £0m from the Group's committed revolving credit facilities. The Company had various amounts owed to group undertakings at the end of 2021 including a loan of £14.9m due to parent company Eco-Bat Technologies Limited which has a maturity date of 30 June 2022, this has since been renewed with a maturity date of 30 June 2027. Amounts owing to other Eco-Bat companies of £4.1 million in respect of cash-pooling arrangements. The Company has net amounts owing to Eco-Bat companies of £0.01 million.

The Company relies on its own future income, financial support from and drawdowns under the Ecobat LLC committed borrowing base bank facility and intra-group loans from Ecobat Technologies Limited to finance its business.

The Company has prepared forecasts of the revenues, costs, capital expenditure, working capital, and cash needs through to the end of 2023. The directors have reviewed these forward looking forecasts and are satisfied the company has sufficient headroom and adequate resources to continue to operate for the foreseeable future when taking account of support available from Ecobat LLC.

The directors believe there are a number of additional options not included in the forecasts that are available to the company for cash generation in the short term relating to improve working capital over profit generation.

Directors' report (continued)

Going concern (*continued*)

Ecobat LLC has confirmed, its willingness and ability to provide financial support to the Company to the extent that the Company is unable to meet its obligations from its own sources until the end of December 2023.

The directors have made enquiries of the Groups cash flow, liquidity position and borrowing facility to ensure Ecobat LLC have the availability of support if required.

The Company continually monitors its financial position including its cash flows, liquidity position and borrowing facilities. The directors also monitor the potential impact of the guarantees and security given to the group's lenders.

Subject to the aforementioned, after making the necessary enquiries, considering the business plan and forecasts and the availability of financial support from Ecobat LLC, the directors have a reasonable expectation that the Company has adequate resources to continue its operations for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Employees

It is company policy to encourage, at each location, systems of communication and consultation between management and employees. Company policy is one of equal opportunity in the selection, terms and conditions of employment, training and promotion for all employees (whether disabled or otherwise) at all job levels. Personnel managers advise on the provision of any reasonable facility required by disabled employees. If existing employees become disabled, it is the Company's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim. The Company is committed to developing, maintaining and supporting a culture of equality, diversity and inclusion in its workplace. Additionally, the Company operates an employee whistleblowing policy.

Section 172 Statement

The Directors are aware of their statutory duty to promote the success of the Company for the benefit of the members as a whole, and in doing so having regard to those factors set out in section 172(1)(a)-(f) of the Companies Act 2006. Collectively, the Board recognises how having regard to these and other relevant factors and stakeholder groups in their decision-making, contributes to the success of the Company. Depending on the matter in question, the relevance of different stakeholder interests and other factors will inevitably vary and the Board may have to make challenging decisions based on competing priorities. As such it may not always be possible to provide a favourable outcome for all stakeholders.

Given the structure of the Company in that it consists of 3 separate divisions, each of the divisions has in place its own leadership team who are responsible for the day to day management of each division. The Company is also a 100% subsidiary of a Group and therefore benefits from the governance structure that is in place for the Group. Divisional Management meetings are held each month. In advance of the Divisional Management meetings, the Leadership teams are supplied with detailed papers which highlight relevant stakeholder considerations and other factors considered relevant to the matter under consideration. Members of the Management Team and other key employees attend and make presentations as appropriate. Where such matters require further approval these items are escalated to the Group Leadership Team in which they are provided with the required information to make informed decisions. Many of the Directors are also members of the leadership teams mentioned above or hold Group or Divisional roles in the wider Group.

The Company's key stakeholders are its shareholders, employees, customers, suppliers, communities, environmental authorities and regulators. The Company has in place the following charter to ensure Directors have regard to our key stakeholders and those other matters referenced in section 172(1) in their decision-making:

Directors' report (continued)

Section 172 Statement (*continued*)

The likely consequences of any decision in the long-term

The leadership teams undertake an in-depth review of the individual divisions strategy, including the three-year business plan, these plans are presented to the Board through various meetings. Once approved by the Board, the plan and strategy form the basis for financial budgets, capital plans and investment decisions and also the strategic direction of the Company. This has encompassed not only the current phase of strategic development, but also future areas of growth. Input is regularly taken from specialists within the business and external advisers about what issues might frame the commercial environment in which the Company will operate in the future and the Leadership teams regularly consider how they can best respond to that framework. The resulting assessment of future development helps inform the Leadership teams decision-making and the balance between short-term and long-term measures and actions.

The interests of the Company's employees

The leadership teams and Board continued in 2021 to promote engagement with its employees. The Company has an average workforce of 395 employees, including a large portion in labour unions in multiple regions. Respect for all employees is a key to developing culture and driving productivity and business efficiency. The company strives to create an environment that provides an opportunity for both personal and professional growth and fosters a culture of teamwork, accountability and creative thinking. We maintain in contact with our employees through regular meetings, communications with labour unions, site visits and business updates. Keeping our employees safe is a core principle and accomplished by continuous training and communication on health and safety.

Investors in People is used as a framework to measure employee engagement, Gold Accreditations has been achieved at HJE and BLM and silver at EBL, the company has plans for further development towards the next standard.

The leadership teams and Board are actively monitoring the impact of COVID-19 and its effects on the Company and its employees with regular updates being provided by management. Employees health and safety is priority. The Board will ensure that local and national guidelines are followed in order to help minimise the further spread and impact of COVID-19. We successfully implemented COVID-19 protocols to protect our employees from the virus.

The need to foster the Company's business relationships with suppliers, customers and others

We operate a diverse group of businesses including secondary lead smelting, battery collections and engineered lead. Procurement of materials is crucial to operate sustainably, safely and efficiently. The Company pays close attention to suppliers with a focus on cost and quality.

The majority of our customers consist of established long-term relationships. The Company is focused on providing excellent customer service and exceeding customer expectations. We have developed strong relationships and regularly meet with customers and suppliers and also attend various industry conferences throughout the year.

The impact of the Company's operations on the community and the environment

The Company continues to pursue a programme to reduce the impact of its operations on the environment. The Leadership team reviews, on an annual basis, the Company's environmental commitments and ensures sufficient capital expenditure programs are in place to maintain environmental compliance. We have continued to reduce the impact our operations have on the communities and the environment we operate in. We ensure we are in compliance with all regulatory requirements in the jurisdiction we operate and in certain facilities have set the industry standard. We engage with communities through town hall meetings and strive to educate about our business and the significant environmental, health and safety measures we undertake to be a good neighbour in our communities and environment.

Governments and regulators implement policies and set the framework for the requirements for which we operate. We regularly meet with local governments and regulatory agencies where we operate.

The health and safety of our employees, visitors, contractors and the public are a top priority at Company. We consistently achieve some of the best employee blood lead performance in the industry and continuously challenge both ourselves and our peers to improve health, safety and environmental performance.

Directors' report (continued)

Section 172 Statement (*continued*)

Maintaining high standards of business conduct

The Leadership teams regularly review the Company's global policy on ethics and business conduct. The Company's policies on a wide range of business and ethics related practices are regularly reviewed and updated as necessary to ensure adequate governance and continued compliance with legal and regulatory requirements and good industry practice. Training is also required on key policies and compliance matters, and, annually, managers are required to represent their compliance with Company policies. The reporting of concerns raised through the Company's Ethics and Confidential helpline (whistleblowing) facilities also provides the Leadership team and Board with further insight into ethics and business conduct issues affecting the business.

The need to act fairly as between members of the Company

The Company engages with its shareholders predominantly via regular Management Meetings.

The Board will continue to keep engagement methods under review to ensure they remain effective.

Key decisions

In March 2021 the decision was made to repay the £14.9m loan owed to the group undertakings as requested by Ecobat LLC, the Company's main stakeholder and approved due to availability of funds to do so.

Subsequent to the year end the £24m loan facility from Ecobat Technologies Limited was renewed in July 2022 for five years, to give more certainty over financing.

Directors

The directors who served the Company during the year and subsequently were as follows:

A R Hampson

B Hunt

J Manning (Appointed 27 June 2022)

P Allbutt (Resigned 30 June 2022)

J Herring (Resigned 16 March 2022)

Directors' liabilities

The Ecobat group has indemnified its directors, by way of directors' and officers' liability insurance, against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision is in force at the date of approving the Directors' Report.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditors in connection with preparing their report, of which the auditors are unaware. Having made enquiries of fellow directors and the auditors, each director has taken all the steps that he might reasonably be expected to take as a director in order to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditors

In accordance with Section 485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for reappointment of Ernst & Young LLP as auditors of the Company.

Directors' report (continued)

Energy and Carbon report

During the year of 2021 the energy consumption for the company was:

	2021	2020
	tCO ₂ e	tCO ₂ e
Emissions from combustion of gas	16,772	16,619
Emissions from combustion of fuel for furnace operations	12,433	12,990
Emissions from purchased electricity	5,895	7,764
Emissions from transport ⁷	127	137
Total gross tCO ₂ e based on above	35,235	37,510
Intensity ratio (tCO ₂ e/FTE)	89	93
Ratio for CO ₂ emissions per Tonne of net market product (tCO ₂ e/T)	0.289	0.319
Total Company kWh	119,332,391	115,888,434

All three sites underwent a series of formal external audits against ISO 50001:2018 Energy Management System standard and/or ISO 14001:2015 Environmental Management System standard, where 2021 energy performance was evaluated and recommendation for continued certification was received alongside positive testimony.

The Company continues to achieve savings in energy and associated carbon emissions through operational and technological improvements, including;

- Increasing the smelting availability at H J Enthoven & Sons to improve throughput and efficiency
- Reducing the average refining batch times which will reduce the energy usage per batch of material.

The areas identified focus on improving site efficiency, availability, production process improvements which look to improve the overall site-specific kWh/tonne metrics. This will improve overall site consumption waste of energy by improving the utilisation across the plants.

By evaluating the performance in the key areas as well as optimising the processes and installing new more efficient equipment we can improve the availability and the sites energy consumption and throughput to meet kWh/T targets.

The above information has been prepared using CO₂ conversion factors taken from the relevant methodologies and published information.

Conversion factor for MWh of natural gas to Tonnes of CO₂ = 0.18316 T CO₂/MWh from the UK Government GHG Conversion Factors for company reporting file. The figure is the Natural Gas kWh (Gross CV) kg CO₂e.

Conversion factor for kWh of electricity to Tonnes of CO₂ per kWh = 0.00021233 T CO₂/kWh from Conversion from the UK Government GHG Conversion Factors for company reporting file. The figure is the electricity generated kg CO₂e.

Conversion factor to calculate kWh for Petroleum Coke = 8.88 kWh/kg – kWh/kg factors directly from the specification of the material produced (Alfred Knight/Oxbow)

Conversion factor to calculate kWh for Carbon 99 = 9.07 kWh/kg - kWh/kg factors directly from the specification of the material produced (Alfred Knight/Oxbow)

Conversion factor for kg of CO₂ per kWh of coke = 0.429 kg CO₂/kWh

Conversion factor for Diesel Tonnes of CO₂ = 0.00023724 T CO₂/kWh – taken from the conversion factor spreadsheet 2021 provided on gov.uk

Conversion factor for Gas Oil Tonnes of CO₂ = 0.00025359 T CO₂/kWh – taken from the conversion factor spreadsheet 2021 provided on gov.uk

Directors' report (continued)

Energy and Carbon report (*continued*)

Where applicable consumption was converted to kWh using conversion factors stated above. Transport data was calculated from litres and mileage data to kWh. In absence of the exact engine sizes of the vehicles average conversion factors were used to calculate emissions.

On behalf of the Board



A Hampson
Director
20 October 2022

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable United Kingdom 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 company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). 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 company and of the profit or loss of the company for that period.

In preparing these financial statements the directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in FRS 101 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company financial position and financial performance;
- in respect of the company financial statements, state whether applicable UK Accounting Standards, including FRS 101, 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 appropriate to presume that the company will not 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 company 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.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report, directors' report, that comply with that law and those regulations.

Independent auditor's report

to the members of Ecobat Resources UK Limited (formerly H J Enthoven Limited)

Opinion

We have audited the financial statements of Ecobat Resources UK Limited (formerly H J Enthoven Limited) for the year ended 31 December 2021 which comprise the Income Statement, the Statement of comprehensive income, the Statement of changes in equity, the Balance Sheet and the related notes 1 to 23, 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 FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice)".

In our opinion, the financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern until the end of December 2023.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report (continued)

to the members of Ecobat Resources UK Limited (formerly H J Enthoven Limited)

Opinions on other matters prescribed by the Companies Act 2006

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 directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or 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 or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 11, 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 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 company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered 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 irregularities, including fraud. 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. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Independent auditor's report (continued)

to the members of Ecobat Resources UK Limited (formerly H J Enthoven Limited)

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are to be those relating to the United Kingdom General Accepted Accounting Practice, the Companies Act 2006, and United Kingdom direct and indirect tax regulations. In addition, the company must comply with operational and employment laws and regulations including health and safety regulations, environmental regulations and GDPR
- We understood how H J Enthoven Ltd is complying with those frameworks by making enquiries of management and those charged with governance to understand how the company maintains and communicates its policies and procedures in these areas. We understood any controls put in place by management to reduce the opportunities for fraudulent transactions.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management and those charged with governance to understand where it considered there was susceptibility to fraud. We understood the procedures and controls that the company has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those procedures and controls. Where the risk was considered to be higher, in respect of management override, including as related to posting of non-standard manual journals to revenue, completeness of rebates and inventory valuation, we performed audit procedures to address the identified fraud risk. To address the risk of management override to revenue, we have used data analytics and obtained the entire population of journals for the year and identified specific transactions for further investigation based on certain criteria. We understood the transactions identified for testing and agreed them to source documentation. With respect to completeness of rebates, we compared nature & level of rebates to prior years and made enquires of senior sales personnel. In addition, we performed substantive procedures to gain assurance over the balance, which included agreement to rebate contracts. For stock valuation, we have performed primarily substantive analytical procedures.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved enquires of senior management and those charged with governance and agreement of samples of transactions throughout the audit to supporting source documentation and verifying that material transactions are recorded in compliance with FRS 101, and where appropriate Companies Act 2006.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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

Ernst & Young LLP

Lorna McNeil (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Birmingham
20 October 2022

Income Statement

for the year ended 31 December 2021

	Notes	2021 £000	2020 £000
Turnover	2	172,033	146,637
Cost of sales		<u>(145,799)</u>	<u>(133,673)</u>
Gross profit		26,234	12,964
Distribution costs		(4,653)	(3,326)
Administrative expenses		(8,956)	(8,011)
Other operating income		—	950
Exceptional operating income	4	<u>—</u>	<u>1,440</u>
Operating profit	3	12,625	4,017
Interest receivable and similar income	7	12	100
Interest payable and similar charges	8	<u>(880)</u>	<u>(1,205)</u>
Profit before taxation		11,757	2,912
Tax (expense)	9	(1,519)	(1,316)
Profit for the financial year		<u>10,238</u>	<u>1,596</u>

All amounts relate to continuing activities.

Statement of comprehensive income

for the year ended 31 December 2020

	Notes	2021 £000	2020 £000
Profit/(loss) for the financial year		10,238	1,596
<i>Other comprehensive income that will not to be reclassified to the income statement in subsequent periods:</i>			
Change in pension minimum funding liability	18	(7,326)	195
Actuarial remeasurement gains/(losses) on defined benefit plans	18	7,507	(542)
Deferred taxation on pension fund remeasurement	9	(34)	66
Total other comprehensive income /(loss) for the year		147	(281)
Total comprehensive income for the year		10,385	1,315

Statement of changes in equity

for the year ended 31 December 2021

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
At 1 January 2020	7,019	3,860	41,505	52,384
Comprehensive income for the year	–	–	1,315	1,315
At 31 December 2020	7,019	3,860	42,820	53,699
Comprehensive income for the year	–	–	10,385	10,385
At 31 December 2021	7,019	3,860	53,205	64,084

Share capital

Share capital comprises the total net proceeds, less any premium on issue of the Company's share capital of US\$ 10,879,000 (£7,019,000), (2020 – US\$ 10,879,000 - £7,019,000) ordinary shares of US\$ 1 each, and 1 ordinary share of £1.00 each (2020 1 ordinary share of £1.00 each)

Share premium account

Share premium comprises the premium on issue of the Company's share capital.

Ecobat Resources UK Limited (formerly H J Enthoven Limited)

Balance sheet

at 31 December 2021

	Notes	2021 £000	2020 £000
Fixed assets			
Intangible fixed assets	10	424	207
Tangible fixed assets	11	34,816	35,066
Investments	12	—	—
		<u>35,240</u>	<u>35,273</u>
Current assets			
Stocks	13	34,324	26,509
Debtors: amounts falling due within one year	14*	38,946	36,071
Cash at bank		3,483	37,161
		<u>76,753</u>	<u>99,741</u>
Creditors: amounts falling due within one year	15	<u>(44,875)</u>	<u>(56,703)</u>
Net current assets		<u>31,878</u>	<u>43,038</u>
Total assets less current liabilities		<u>67,118</u>	<u>78,311</u>
Creditors: amounts falling due after more than one year	16	<u>(679)</u>	<u>(22,740)</u>
Provisions for liabilities			
Deferred taxation	9	(2,355)	(1,872)
Pensions	18	—	—
Net assets		<u>64,084</u>	<u>53,699</u>
Capital and reserves			
Share capital	17	7,019	7,019
Share premium		3,860	3,860
Retained earnings		53,205	42,820
Shareholder's funds		<u>64,084</u>	<u>53,699</u>

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 20 October 2022 by:



A Hampson
Director
20 October 2022

Notes to the financial statements

at 31 December 2021

1. Accounting policies

The financial statements are presented in Pounds Sterling and all values are rounded to the nearest thousand Pounds Sterling (£000) except when otherwise indicated.

Basis of preparation

Ecobat Resources UK Limited (formerly H J Enthoven Limited) (the 'Company') is a private limited company, by shares incorporated and domiciled in England, the registered company number is 2821551, and the registered office address is Darley Dale Smelter, South Darley, Matlock, Derbyshire, DE4 2LP. The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 issued by the Financial Reporting Council and is included in the consolidated financial statements of Ecobat LLC, which are publicly available (see note 2). These financial statements were prepared in accordance with Financial Reporting Standard 101 'The Financial Reporting standard applicable in the UK and Republic of Ireland'. The accounting policies which follow are those policies which apply in preparing the financial statements for the year ended 31 December 2021.

Disclosure Exemptions

In preparing the financial statements the Company has taken advantage of the following disclosure exemptions under FRS101:

- Statement of Cash flows - Under Paragraph 10(d) of IAS1 on the grounds that the Company is wholly owned and its parent publishes group financial statements.
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
 - Paragraph 79(a)(iv) of IAS 1
 - Paragraph 73(e) of IAS 16 Property, plant and equipment
 - Paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period)
- The following paragraphs of IAS 1, 'Presentation of financial statements'
 - 10(d) statement of cash flows
 - 10(f) a statement of financial position 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),
 - 16 (statement of compliance with all IFRS)
 - 38A (requirement for minimum of two primary statements, including cash flow statements),
 - 38B-D (additional comparative information)
 - 40A-D (requirements for a third statement of financial position)
 - 111 (cash flow statement information), and
 - 134-136 (capital management disclosures)
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors'
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.

Notes to the financial statements

at 31 December 2021

1. Accounting policies (continued)

Group financial statements

The Company is exempt, under s401 of the Companies Act 2006, from the obligation to prepare group financial statements as the Company is a wholly owned subsidiary undertaking of a parent company incorporated in the USA, which prepares group financial statements. As such, these financial statements present information about the Company as an individual undertaking and not about its group. The results of the Company have been included in the Ecobat LLC consolidated financial statements as referred to in note 20.

Going concern

At the end of 2021, the Company had £3.5m of gross cash and had drawn down £0m from the Group's committed revolving credit facilities. The Company had various amounts owed to group undertakings at the end of 2021 including a loan of £14.9m due to parent company Eco-Bat Technologies Limited which has a maturity date of 30 June 2022, this has since been renewed with a maturity date of 30 June 2027. Amounts owing to other Eco-Bat companies of £4.1 million in respect of cash-pooling arrangements. The Company has net amounts owing to Eco-Bat companies of £0.01 million.

The Company relies on its own future income, financial support from and drawdowns under the Ecobat LLC committed borrowing base bank facility and intra-group loans from Ecobat Technologies Limited to finance its business.

The Company has prepared forecasts of the revenues, costs, capital expenditure, working capital, and cash needs through to the end of 2023. The directors have reviewed these forward looking forecasts and are satisfied the company has sufficient headroom and adequate resources to continue to operate for the foreseeable future when taking account of support available from Ecobat LLC.

The directors believe there are a number of additional options not included in the forecasts that are available to the company for cash generation in the short term relating to improve working capital over profit generation.

Ecobat LLC has confirmed, its willingness and ability to provide financial support to the Company to the extent that the Company is unable to meet its obligations from its own sources until the end of December 2023.

The directors have made enquiries of the Groups cash flow, liquidity position and borrowing facility to ensure Ecobat LLC have the availability of support if required.

The Company continually monitors its financial position including its cash flows, liquidity position and borrowing facilities. The directors also monitor the potential impact of the guarantees and security given to the group's lenders.

Subject to the aforementioned, after making the necessary enquiries, considering the business plan and forecasts and the availability of financial support from Ecobat LLC, the directors have a reasonable expectation that the Company has adequate resources to continue its operations for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Goodwill

Goodwill is initially measured at cost being the excess of the cost of the acquisition over the Company's share of the assets and liabilities recognised on acquisition. Prior to conversion to FRS 101, goodwill was amortised and reviewed for impairment. On conversion to FRS 101 the net book value of goodwill was £nil.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite.

Notes to the financial statements

at 31 December 2021

1. Accounting policies (continued)

Intangible assets (continued)

Intangible assets with finite lives are amortised over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. Assets under construction are not amortised until brought into use.

The amortisation expense of intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Amortisation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Software	-	1 to 4 years
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Tangible fixed assets

All tangible fixed assets are initially recorded at cost. Subsequently tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended. Borrowing costs attributable to assets under construction and which meet the recognition criteria in IAS 23 are capitalised along with other costs directly attributable to the asset.

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

Freehold property	-	2% of original cost per annum
Plant and machinery	-	6.67% to 25% of original cost per annum

No depreciation is provided on assets during the course of construction.

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists where the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units (CGU's) are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses and reversals are recognised in the income statement within exceptional operating expenses.

Impairment reversals are recognised where a sustainable improvement in performance is evident from forecasts and business plans. For tangible fixed assets, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists the Company estimates the CGU's or assets recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the assets recoverable amount since the last impairment loss was recognised.

Notes to the financial statements

at 31 December 2021

1. Accounting policies (continued)

Tangible fixed assets (continued)

The reversal is limited so that the carrying amount of the CGU or assets does not exceed the carrying amount that would have been determined, net of depreciation, had no impairment losses been recognised for the CGU or assets in prior years. A reversal of impairment loss is recognised immediately in the income statement within exceptional operating income. An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the item) is included in the income statement in the year the item is de-recognised.

IFRS 16 Leases

IFRS 16 Leases became effective for the Company from 1 January 2019, replacing IAS 17 Leases. The principal impact of IFRS 16 is to change the accounting treatment by lessees of leases previously classified as operating leases. Lease agreements give rise to the recognition of a right-of-use asset and a related liability for future lease payments.

The Company has applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised as an adjustment to the opening balance of retained earnings at the date of initial application.

On transition, lease liabilities were recognised as the present value of lease payments still to be made, discounted at the appropriate incremental borrowing rate applicable at 1 January 2019. On transition, right-of-use assets were recognised, on a lease by lease basis at either (i) the carrying amount as if the standard had been applied since the commencement of the lease discounted using the incremental borrowing rate at 1 January 2019 or (ii) equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the balance sheet immediately before 1 January 2019.

As a practical expedient the Company has elected not to recognise right-of-use assets and lease liabilities for low-value assets and short-term leases less than 12 months. The Company recognises the lease payments on these leases as an expense on a straight-line basis over the lease term. The short-term leases exemption was also applied to leases with lease term that ends within 12 months of the date of initial application. The Company elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at 1 January 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Company also applied the available practical expedients whereby it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics,
- Relied on its assessment of whether leases are onerous immediately before the date of initial application,
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application,
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

For new leases entered into, the Company recognised right of use assets and lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs. The discount rate used reflects the company's incremental borrowing rate.

Investments in subsidiaries

Investments in subsidiary undertakings are stated at cost, less provision for any diminution in value.

Notes to the financial statements

at 31 December 2021

1. Accounting policies (continued)

Stocks

Stocks are stated at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials, consumables, spares and tooling	—	purchase cost on a first-in, first-out basis.
Finished goods and work-in-progress	—	cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Cash at bank and in hand

Cash and short term deposits in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity of three months or less.

Cash pooling

The Company is part of the cash pooling arrangement with other group companies whereby certain cleared bank balances are automatically transferred to or from the Company on a daily basis and are accounted for as cash or borrowing by the Company offset by an intra-group cash pooling loan in debtors or creditors as appropriate. Interest is calculated daily and the annual net interest receivable or payable with each group company is accounted for as interest receivable or payable in the income statement as appropriate.

Pensions

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligation) and is based on actuarial advice.

Past service costs are recognised in the income statement on the earlier of, the date of any plan amendment or curtailment, and the date that the Company recognises related restructuring or termination costs. When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership) or a plan amendment (introduction or withdrawal of a defined benefit plan or changes to the benefits payable under an existing defined benefit plan) occurs the obligation and related plan assets are re-measured using current actuarial assumptions and the resultant gain or loss recognised in the income statement during the period in which the settlement, curtailment or amendment occurs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset and the Company recognises the net interest income or expense in the income statement.

Remeasurements, comprising actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through the statement of comprehensive income in the period in which they occur. Remeasurements are not reclassified to the income statement in subsequent periods.

Notes to the financial statements

at 31 December 2021

1. Accounting policies (continued)

Pensions (continued)

The defined benefit pension liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation, less the fair value of plan assets out of which the obligations are to be settled directly and adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. Fair value is based on market price information and in the case of quoted securities is the published bid price.

The value of a net pension benefit asset is restricted to the lower of the surplus in the plan and the asset ceiling discounted using the same discount rate used to determine the defined benefit obligation. Any adjustment required is accounted for in the statement of comprehensive income. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Contributions to defined contribution schemes are recognised in the income statement in the period in which they become payable.

Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- Where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.
- Deferred income tax assets and liabilities are measured on an un-discounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.
- Income tax is charged or credited directly to other comprehensive income if it relates to items that are credited or charged to other comprehensive income. Otherwise income tax is recognised in the income statement.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the income statement.

Revenue recognition

Revenue, which is net of discounts and rebates, and which excludes VAT and other sales taxes, is recognised when performance obligations are satisfied in respect of the transfer of goods or services at an amount that the business expects to be entitled to in exchange for those goods or services.

Notes to the financial statements

at 31 December 2021

1. Accounting policies (continued)

Freight cost

Cost of freight shipping finished products to customers is included in revenue at the value invoiced to customers. Charges incurred are expensed to distribution costs.

Interest income

Interest income is recognised as the interest accrues, by reference to the principal outstanding and the applicable effective interest rate.

Exceptional operating expenses

The Company includes amounts within exceptional operating expenses only if they are significant one-off items that are material to the understanding of the results of the Company. Examples of such items include, but are not limited to impairments, restructuring costs and pension plan amendments.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time (considered to be in excess of twelve months) to be ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

The classification is determined by both: the Company's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. All income and expenses relating to financial assets that are recognised in profit or loss are presented within cost of sales, finance costs or finance income, except for impairment of trade receivables which is presented within selling and distribution expenses.

Notes to the financial statements

at 31 December 2021

1. Accounting policies (continued)

Financial instruments (continued)

Subsequent measurement of financial assets at amortised cost

a) Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method and are subject to impairment. Discounting is omitted where the effect of discounting is immaterial.

b) Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply. The Company currently does not participate in hedge accounting.

c) Financial assets at fair value through other comprehensive income (FVOCI)

The Company accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective it is "hold to collect" the associated cash flows and sell and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognised in other comprehensive income (OCI) will be recycled upon derecognition of the asset.

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of the requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

The Company considers a broad range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date. '12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Notes to the financial statements

at 31 December 2021

1. Accounting policies (continued)

Financial instruments (continued)

Trade and other receivables

The Company makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

Classification and measurement of financial liabilities

The Company's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Interest-bearing loans and borrowings

All interest-bearing loans and borrowings are initially recognised at net proceeds. After initial recognition subsequent recognition is at amortised cost.

Finance costs of debt are allocated over the term of the debt at the prevailing rate on the carrying amount.

Interest on group loans is recognised as the income or expense accrues using the effective interest method.

Derivative financial instruments

The Company uses a variety of derivative financial instruments such as forward foreign currency contracts and currency options to hedge its risks associated with foreign currency fluctuations. In addition, the Company uses forward metal contracts and options to hedge its risk associated with movements in the price of the various metals that it deals in. Derivatives are carried as assets when the fair value is positive and liabilities when the fair value is negative.

The fair value of forward exchange and metal contracts is calculated by reference to current forward exchange rates and metal prices for contracts with similar maturity profiles. The fair values of currency and metal options are provided by third parties with access to actively quoted rates and prices and sophisticated valuation models. The Company also utilises its own treasury management systems to access quoted rates and prices.

All gains or losses arising from changes in fair value are taken directly to the income statement for the year.

The Company currently does not participate in hedge accounting, the IFRS 9 hedging model requirements are therefore not applicable to the Company at this time.

No derivatives used by the Company qualify for hedge accounting so all gains or losses arising from changes in fair value on derivatives are taken directly to the income statement in the year.

Notes to the financial statements

at 31 December 2021

1. Accounting policies (continued)

Significant accounting estimates and assumptions

The key assumptions and critical judgements concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of non-current assets

The Company determines whether non-current assets are impaired through first identifying if there is an indication of impairment, based on events or changes in circumstances which may indicate that the carrying value may be impaired.

If an indication of impairment is identified management perform an assessment of the carrying value of those assets. This requires an estimation of the 'value in use' of the cash-generating units to which the non-current assets are allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Pension and other post-employment benefits

The cost of defined benefit pension plans and other post-employment benefits is determined using actuarial valuations. Actuarial valuations involve making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Because of the long term nature of these plans, such estimates can be subject to significant uncertainty. Further details are contained in note 18.

Notes to the financial statements

at 31 December 2021

2. Turnover

The Company derives its revenue from contracts with customers for the transfer of goods and services over time and at a point in time in the following major product lines:

- Lead: Sale of pure lead and lead alloys by our secondary lead production operations.
- Other: Plastics and minerals, sale of battery recycling evidence, collection of scrap batteries.

	2021	2020
	£000	£000
Lead	158,050	136,830
Other	13,983	9,807
	<u>172,033</u>	<u>146,637</u>

Turnover represents the amounts derived from the provision of goods and services which fall within the Company's ordinary activities, stated net of value added tax.

An analysis of turnover by geographical market is given below:

	2021	2020
	£000	£000
United Kingdom	85,465	92,794
Europe	85,523	52,513
Rest of the World	1,045	1,330
	<u>172,033</u>	<u>146,637</u>

Notes to the financial statements

at 31 December 2021

3. Operating profit

This is stated after charging/(crediting):

	2021 £000	2020 £000
Auditor's remuneration – audit of company accounts	226	152
Auditor's remuneration – non audit services	9	–
Depreciation of owned & right of use assets (note 11)	4,705	3,937
Competition and Markets Authority investigation (note 4)	–	(1,440)
Amortisation of intangible assets (note 10)	43	58
Hire of plant and equipment	172	298
Loss on disposal of tangible fixed assets	636	89
Loss on disposal of intangible assets	–	430
Furlough income	–	200
Unrealised losses/(gains) on metals hedging contracts	609	946
Realised losses/(gains) on metals hedging contracts	2,136	(2,758)
Unrealised gains on foreign currency contracts	(7)	(38)
Cost of inventories recognised as expense in the year (costs of sales)	98,750	93,166
– write-down of inventories to net realisable value	–	(365)
Operating lease rentals:		
– land and buildings	62	99
– plant and machinery	–	33

These leases are for low-value assets and short-term leases less than 12 months.

4. Exceptional operating income/expense

	2021 £000	2020 £000
Competition and Markets Authority investigation	Nil	(1,440)

On July 11, 2017, the Competition and Markets Authority (“CMA”) carried out an inspection visit at the Group's lead sheet operation in the UK. In 2019, the Company accrued the initial indicative settlement with the CMA and made an accrual of £9.5m recorded in accruals. On October 27, 2020, the Case Decision Group reached a decision on the final settlement calculation. The final amount was reduced to £8.1m and the Company has submitted the payment and settled the case in December 2020.

Notes to the financial statements

at 31 December 2021

5. Directors' remuneration

	2021 £000	2020 £000
Remuneration	238	328
Compensation for loss of office	—	32
	<u>238</u>	<u>360</u>
Company contributions paid to defined benefit pension schemes	4	4
Company contributions paid to defined contribution pension schemes	17	21
	<u>259</u>	<u>385</u>
	No.	No.
Members of defined benefit pension schemes	1	1
Members of defined contribution pension schemes	<u>1</u>	<u>1</u>

The amounts in respect of the highest paid director are as follows:

	2021 £000	2020 £000
Emoluments	220	232
Accrued annual pension benefit of the highest paid director	—	—
Company pension contributions of the highest paid director	17	17
	<u>237</u>	<u>249</u>

The emoluments of three (2020 - four) of the directors have been borne by other group companies. One of the directors' services to the Company occupy a portion of their time, therefore the directors' remuneration above only includes that part of their remuneration for their services to the Company. For two directors' (one - 2020) their services to the Company do not occupy a significant amount of their time and have not received any remuneration for their services to the Company.

6. Staff costs

	2021 £000	2020 £000
Wages and salaries	15,019	14,154
Social security costs	1,530	1,494
Pension costs defined benefit scheme (note 18)	604	588
Pension costs defined contribution scheme	1,637	1,554
	<u>18,790</u>	<u>17,790</u>

The average monthly number of employees during the year was made up as follows:

	No.	No.
Production staff	322	340
Selling and Distribution staff	33	34
Administrative staff	40	37
	<u>395</u>	<u>411</u>

Notes to the financial statements

at 31 December 2021

7. Interest receivable and similar income

	2021 £000	2020 £000
Bank interest receivable	8	34
Foreign exchange gains on loans and deposits	2	56
Net interest received on pension deficit (note 18)	2	10
	<u>12</u>	<u>100</u>

8. Interest payable and similar charges

	2021 £000	2020 £000
Commitment fees in respect of bank facilities	–	71
Interest on lease liabilities	76	65
Bank interest payable	80	386
Interest on loans from group companies	615	683
Foreign exchange losses on loans and deposits	109	–
	<u>880</u>	<u>1,205</u>

9. Tax

(a) Tax charged in the income statement

The tax credit is made up as follows:

	2021 £000	2020 £000
Current tax:		
Current income tax	1,379	–
Current income tax in respect of prior periods	(309)	87
	<u>1,070</u>	<u>87</u>
Deferred tax:		
Origination and reversal of timing differences	834	387
Origination and reversal of timing differences in respect of prior periods	(948)	759
Impact of changes in tax laws and rates	563	83
	<u>449</u>	<u>1,229</u>
Tax income in the income statement	<u>1,519</u>	<u>1,316</u>

The UK profits for the accounting period ended 31 December 2020 are taxed at the standard rate of 19%. In the Budget of March 2021 the UK government announced that they propose to increase in the UK corporation tax rate to 25% from 1 April 2022. As this change has been enacted at the period end, the deferred tax balances have been stated at a rate at which the items are expected to reverse in line with the dates noted above.

On 23 September 2022, the UK Government announced that they propose to cancel the increase to the UK corporation tax rate to 25% with effect from 1 April 2023 and the rate will remain at 19%. This change has not been substantially enacted at the balance sheet date. However the impact of restating the deferred tax balances at 19% would lead to a deferred tax credit of £563,000 and the deferred tax liability would reduce to £1,792,000.

Notes to the financial statements

at 31 December 2021

9. Tax (continued)

(b) Tax relating to items (charged) or credited to other comprehensive income

	2021	2020
	£000	£000
<i>Deferred tax</i>		
Actuarial (profit)/loss on defined benefit pension plans	(34)	66
	<u>(34)</u>	<u>66</u>

(c) Reconciliation of the total tax expense/(income)

The tax expense in the income statement differs from the standard rate of corporation tax in the UK of 19.00% (2020 – 19.00%). The differences are reconciled below:

	2021	2020
	£000	£000
Profit on ordinary activities before tax	<u>11,757</u>	<u>2,912</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2020 – 19.00%)	2,234	553
<i>Effects of:</i>		
Current taxes in respect of prior periods	(309)	87
Disallowed expenses	187	(304)
WDA's – Super deduction – 30%	(208)	—
Group relief	—	138
Deferred tax prior year	(948)	759
Deferred tax on rate changes	563	83
Total tax expense (note 9(a))	<u>1,519</u>	<u>1,316</u>

A dividend exemption is available for distributions received on or after 1 July 2009. This applies to all dividends (UK and foreign) received by UK tax resident companies which meet the relevant conditions. The Company's income includes no such dividends in the current year (2020 - £4,642,000) on which the Company is not subject to tax

Notes to the financial statements

at 31 December 2021

9. Tax (continued)

(b) Deferred tax

	2021	2020
	£000	£000
<i>Deferred tax expense in the income statement:</i>		
Accelerated capital allowances	535	331
Other timing differences	19	—
Pension plans	(34)	66
Fair value of forward currency contracts	(38)	(1)
Fair value of forward commodity contracts	(33)	(9)
Deferred tax prior year	—	759
Changes in tax rates	—	83
Deferred tax charged to the income statement	<u>449</u>	<u>1,229</u>

Deferred tax included in the Balance Sheet is as follows:

Deferred tax liability:

Accelerated capital allowances	2,370	1,835
Fair value of forward commodity contracts	(32)	36
Fair value of forward currency contracts	(2)	1
Intangible timing differences	2	—
Capitalised revenue	17	—
At 31 December	<u>2,355</u>	<u>1,872</u>

Disclosed on the balance sheet as:

Deferred tax assets	—	—
Deferred tax liabilities	<u>2,355</u>	<u>1,872</u>
At 31 December	<u>2,355</u>	<u>1,872</u>

Notes to the financial statements

at 31 December 2021

10. Intangible fixed assets

	<i>Software</i> £000	<i>Goodwill</i> £000	<i>Total</i> £000
<i>Cost:</i>			
At 1 January 2021	726	2,711	3,437
Additions	260	—	260
Reclassifications	—	—	—
Disposals	—	—	—
At 31 December 2021	<u>986</u>	<u>2,711</u>	<u>3,697</u>
<i>Amortisation:</i>			
At 1 January 2021	519	2,711	3,230
Provided during the year	43	—	43
Disposals	—	—	—
At 31 December 2021	<u>562</u>	<u>2,711</u>	<u>3,273</u>
<i>Net book value:</i>			
At 31 December 2021	<u>424</u>	<u>—</u>	<u>424</u>
At 1 January 2021	<u>207</u>	<u>—</u>	<u>207</u>

Additions include assets under construction of £251,000.

Notes to the financial statements

at 31 December 2021

11. Tangible fixed assets

	<i>Freehold property</i>	<i>Freehold property rights of use assets</i>	<i>Plant and machinery</i>	<i>Plant and machinery rights of use assets</i>	<i>Assets in course of construction</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<i>Cost:</i>						
At 1 January 2021	28,192	349	58,280	1,596	2,114	90,531
Additions	108	208	1,802	78	2,955	5,151
Disposals	(40)	—	(1,311)	—	—	(1,351)
Reclassifications	728	—	2,251	—	(2,979)	—
At 31 December 2021	28,988	557	61,022	1,674	2,090	94,331
<i>Depreciation:</i>						
At 1 January 2021	13,010	231	41,691	533	—	55,465
Provided during the year	948	52	3,315	390	—	4,705
Disposals	(27)	—	(628)	—	—	(655)
At 31 December 2021	13,931	283	44,378	923	—	59,515
<i>Net book value:</i>						
At 31 December 2021	15,057	274	16,644	751	2,090	34,816
At 1 January 2021	15,182	118	16,589	1,063	2,114	35,066

Included in freehold property is land with a cost of £1,866,000 (2019 – £1,866,000) which is not depreciated.

Included within the assets above is £6.3m of assets which previously were subject to an impairment charge. We review these assets annually to consider whether any further impairment is required or any impairment reversed. No adjustment is proposed in the current year, with key assumptions including the first two years based on latest forecasts, years 3 to 5 based on adjusted plan, a discount rate of 12% and growth to perpetuity of 1.5%. The plans for year 3-5 have been reduced to take into consideration uncertainty in future years and remove any stretch in targets.

If these assumptions were to change then the conclusion would change. Based on original plan forecast results, with other assumptions remaining consistent to above, this would result in a reversal of the impairment of £2.2m. In contrast if forecast cashflow for 2023 was indicative of future earnings with only long term growth, then an impairment of c£3.5m would be indicated by a value in use model. Changes to the discount rate by 0.5%, would impact any reversal / charge by c£0.4m in isolation, with an increase in perpetuity growth rate to 2% resulting in a reversal of c£0.3m.

Notes to the financial statements

at 31 December 2021

11. Tangible fixed assets (continued)

The company has lease contracts for land and buildings generally with terms between 5 and 6 years. The company has lease contracts for various vehicles generally have terms between 4 and 6 years.

Set out below are the carrying amounts of lease liabilities (included under creditors) and the movements during the period:

	2021	2020
	£000	£000
At 1 January	1,218	1,049
Additions	286	547
Accretion of interest	76	65
Payments	(524)	(443)
At 31 December	1,056	1,218
Current (note 15)	377	396
Non-current (note 16)	679	822

The maturity analysis of the of the lease liabilities is set-out below:

	2021	2020
	£000	£000
Within one year	436	457
After one year but not more than five years	753	893
After five years	—	12
	1,189	1,362

12. Investments

Shares in group companies

	£000
Cost	7,686
As at 31 December 2020 and 31 December 2021	
Impairment	
As at 31 December 2020 and 31 December 2021	(7,686)
Net Book Value	
As at 31 December 2020 and 31 December 2021	—

Notes to the financial statements

at 31 December 2021

12. Investments (continued)

The Company has investments in the ordinary share capital of the following subsidiary undertakings:

* Held directly

<i>Name of subsidiary undertakings & address</i>	<i>Country of incorporation</i>	<i>Proportion and voting rights of ordinary shares held</i>	<i>Nature of business</i>
Blotter Limited* Darley Dale Smelter, South Darley, Matlock, Derbyshire DE4 2LP	United Kingdom	100%	Dormant company
G&P Batteries Limited* Darley Dale Smelter, South Darley, Matlock, Derbyshire DE4 2LP	United Kingdom	100%	Dormant company
Eco-Bat Logistics Sp. Z o.o. ul. Geodetów 23c lokal 2 05-509 Piaseczno	Poland	99%	Distribution Company

13. Stocks

	<i>2021</i>	<i>2020</i>
	<i>£000</i>	<i>£000</i>
Raw materials and consumables	3,666	5,993
Work in progress	22,035	14,195
Finished goods and goods for resale	3,553	2,405
Spares, tooling and consumable stores	5,070	3,916
	<u>34,324</u>	<u>26,509</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

14. Debtors

Amounts falling due within one year:

	<i>2021</i>	<i>2020</i>
	<i>£000</i>	<i>£000</i>
Trade debtors	19,087	20,355
Amounts owed by group undertakings	13,926	11,206
Other taxation recoverable	3,922	2,270
Other debtors	1,313	1,513
Corporation tax	22	—
Prepayments and accrued income	676	727
	<u>38,946</u>	<u>36,071</u>

The Company has credit insurance cover for the majority of its trade debtors.

Trade receivables are non-interest bearing and are generally made on 30-90 days terms.

Notes to the financial statements

at 31 December 2021

14. Debtors (continued)

As at 31 December 2021, trade receivables with a nominal value of £39,000 (2020 - £48,000) were impaired and provided for. Movements in the provision for the impairment of receivables were as follows:

	2021 £000	2020 £000
At 1 January	48	222
(Utilised)/charged in the year	(9)	48
Unused amounts reversed	—	(222)
At 31 December	39	48

The amount provided is the amount not believed to be recoverable from the customer, less amounts confirmed as receivable through credit insurance.

As at 31 December the ageing analysis of trade debtors is as follows:

	Not past due £000	< 30 days £000	30-60 days £000	60-90 days £000	> 90 days £000	Total £000
2021	9,983	3,836	2,077	1,693	1,537	19,126
2020	18,062	2,512	168	50	90	20,882

Trade debtors and other financial assets are part of the company's financial exposure to credit risk as explained in note 20.

15. Creditors: amounts falling due within one year

	2021 £000	2020 £000
Bank loan	—	14,900
Lease liability	377	396
Trade creditors	5,473	4,750
Amounts owed to group undertakings	13,935	10,552
Amounts owed to group undertakings – cash pooling	4,083	17,688
Amounts owed to group undertakings – loan	14,942	—
Other taxation and social security	404	615
Corporation tax	—	2,167
Other creditors	2,809	2,852
Accruals	2,852	2,783
	44,875	56,703

Trade creditors are non-interest bearing and are normally settled on terms within 60 days.

Notes to the financial statements

at 31 December 2021

15. Creditors (continued)

At 31 December 2021 the Company had drawn down £nil (2020 - £14,900,000) under the Group's Master Facility. The loan had an interest rate of 2.5% to 3.25% above LIBOR. The loan was repaid on 18 March 2021.

The amount owed to group undertakings loan from Eco-Bat Technologies Limited is sterling denominated, has a fixed interest rate of 4.31% with a maturity date of 30 June 2027, it was renewed on 1 July 2022.

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

	2021 £000	2020 £000
Lease liability	679	822
Amounts owed to parent undertakings	—	21,918
	<u>679</u>	<u>22,740</u>

17. Issued share capital

Authorised	No.	2021 £000	No.	2020 £000
Ordinary shares of £1 each	100	—	100	—
Ordinary shares of US \$1 each	10,879,000	<u>7,019</u>	10,879,000	<u>7,019</u>
		<u>7,019</u>		<u>7,019</u>
Allotted, called up and fully paid				
Ordinary shares of £1 each	1	—	1	—
Ordinary shares of US \$1 each	10,879,000	<u>7,019</u>	10,879,000	<u>7,019</u>
		<u>7,019</u>		<u>7,019</u>

The two classes of shares rank pari passu as regards rights for dividends, voting and on the winding up of the Company.

18. Pensions

The Company currently operates a defined benefit pension scheme, the H J Enthoven Limited Pension Scheme ("the Scheme"), and previously also operated an employer-financed retirement benefits scheme ("EFRB") which is now closed. These schemes are combined and presented as a single scheme.

The EFRB is unfunded and had a liability of £nil (2020 - £nil) at the balance sheet date.

The Scheme is closed to new members but continues to operate for existing members as well as for deferred members and pensioners. The Scheme is a funded scheme governed by the laws of the United Kingdom, which requires contributions to be made into separately administered funds. The Scheme has a separate legal form from the Company and is managed by a Board of Trustees which comprises three employer-nominated and two member-nominated Trustees. The Trustees are responsible for the administration of the Scheme, investment of the Scheme assets (including the determination of investment strategy), risk management and are assisted by external advisers.

Notes to the financial statements

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18. Pensions (continued)

Each year the Trustees meet regularly to oversee the management of the Scheme and review the level of funding as required by UK legislation. The Trustees decide on the level of contributions and reach an understanding with the Company as to the risk management policy, the level of monthly contributions and if necessary, a series of recovery payments to eliminate any pension deficit based on the latest triennial actuarial valuation.

The Scheme invests in external pooled funds with multiple providers, and has a portfolio mix comprised of both physical and synthetic exposures to different investment markets both directly and via a range of different investment managers. These funds are not invested in any of Ecobat LLC's own financial instruments nor in real estate or other assets used by Ecobat LLC.

Pension liabilities are adjusted annually for inflation and are exposed to interest rate risks and changes to life expectancy for members. The Scheme assets include significant investments in quoted equity investments and debt securities all of which are exposed to external market risks.

The last full actuarial valuation of the scheme was performed on 5 April 2018. For the purpose of this valuation the draft actuarial valuation for 5 April 2021 has been used.

Since 2016, the Scheme has adopted a fiduciary investment management approach, whereby the day-to-day investment management and operation is overseen by a third party specialist appointed by the Trustees. This enables the Scheme to access a more diversified portfolio of growth assets, whilst also introducing greater hedging of interest rates and inflation movements through Liability Driven Investment products (LDI). This approach has led to a substantial reduction in risk exposure.

The Company continues to work with its professional advisers and the Trustees to evaluate ways to further reduce risk and improve the robustness of the Pension Scheme.

The Company also operates a defined contribution schemes in the UK, the costs of which are charged to the income statement in the period in which they become payable.

The assets and liabilities of the scheme as at 31 December are:

	2021 £000	2020 £000
<i>Scheme assets at fair value, invested in:</i>		
Equity	28,165	31,217
Gilts	12,445	55,291
Cash	11,151	39,534
Investment Funds	100,986	27,889
Fair value of scheme assets	152,747	153,931
Present value of scheme liabilities	(138,914)	(147,514)
Additional liability recognised due to minimum funding requirements	(13,833)	(6,417)
Defined benefit pension deficit	—	—

As well as cash, the Scheme is invested via a series of pooled funds (for both the return seeking and liability matching portfolios), which in turn hold a mixture of quoted and unquoted instruments.

The pension scheme assets have not been invested in any of the Ecobat LLC Group's own financial instruments nor in properties or other assets used by the Ecobat LLC Group.

Notes to the financial statements

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18. Pensions (continued)

The amounts recognised in the income statement and in the statement of comprehensive income for the year are analysed as follows:

	2021 £000	2020 £000
Recognised in the income statement:		
Current service cost	604	588
Past service cost	—	—
Recognised in arriving at operating profit (note 6)	<u>604</u>	<u>588</u>
Net interest on scheme assets	(2,128)	(2,876)
Net interest on scheme liabilities	2,036	2,730
Net interest on minimum funding requirements	90	136
Recognised in arriving at interest (receivable)/ (note 7)	<u>(2)</u>	<u>(10)</u>
Total recognised in income statement	<u>602</u>	<u>578</u>
Taken to statement of other comprehensive income		
Return on plan assets	493	15,651
Changes in demographic assumptions	(1,358)	287
Effect of experience adjustments	5,185	—
Changes in financial assumptions	<u>3,187</u>	<u>(16,480)</u>
Actuarial gains/(losses) recognised in the statement of comprehensive income	<u>7,507</u>	<u>(542)</u>
Changes in minimum funding liability	<u>(7,326)</u>	<u>195</u>

Notes to the financial statements

at 31 December 2021

18. Pensions (continued)

Pension assumptions

Pension liabilities and current service costs are determined with the advice of independent qualified actuaries, on the basis of annual valuations using the projected unit credit method. Scheme assets are stated at their market values at the respective balance sheet dates.

	2021 %	2020 %
<i>Main assumptions:</i>		
Rate of increase in salaries	2.00	2.00
Rate of increase in pensions in payment	3.80	3.50
Discount rate	1.80	1.40
Inflation assumption – RPI	3.40	2.90
Inflation assumption – CPI	2.70	2.20
<i>Post retirement mortality:</i>		
	<i>Years</i>	<i>Years</i>
Current pensioners at 65 – male	22.2	21.9
Current pensioners at 65 – female	24.4	24.3
Future pensioners at 65 – male	23.6	23.3
Future pensioners at 65 – female	25.9	25.9

The post-retirement mortality figures for current pensioners above relate to an assumed retirement at the balance sheet date at age 65. In the UK, mortality rates are based on S3PA tables adjusted by 99% for males pensioners, 93% for female pensioners, 104% for male non-pensioners and 98% for female non-pensioners, with an assumption about future improvements in mortality in line with the CMI 2020 projections and a 1.25 % p.a. long term trend rate.

The discount rates are based on high quality corporate bonds (AA rated by at least one of Moody's and S&P Global ratings). The bonds are of a currency and term consistent with the overall liabilities. Outlying items in the market population are ignored.

The assumptions for inflation and for increases in pensions are based on the yield gap between long-term index-linked and long-term fixed interest gilt securities. In 2021 this expectation for future inflation was increased by an inflation risk premium of 0.5% p.a. (2020 – 0.1% p.a.). In June 2010, the UK Government announced that UK statutory revaluation and pension increases would be based on the CPI measure of price inflation from 2011. The calculations used to value the UK liabilities adopt CPI only where permitted by the scheme rules. All other calculations are based on RPI. The CPI assumption is calculated to be 0.8% p.a. below the RPI assumption for 2021 (2020 - 0.7% p.a.).

At the balance sheet date the Company was committed to minimum employer contributions of £nil. As the Company has no right to refunds from the plan or reductions in future contributions to the plan per the scheme rules, in accordance with IFRIC 14 a provision is made for these minimum commitments and the overall pension surplus.

The Company is now operating a defined contribution scheme for new employees, the costs of which are charged to profits as incurred. The costs in the year were £1,637,000 (2020 – £1,554,000). At 31 December 2021 there were no outstanding contributions by the Company owing to the scheme (2020 – £nil).

Notes to the financial statements

at 31 December 2021

18. Pensions (continued)

Sensitivity

The sensitivity analysis has been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are based on a change in significant assumptions, keeping all other assumptions constant. The sensitivity may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation from one another.

A 0.5% point change in net yield between discount rate and inflation assumption for pension benefits and post-retirement benefits would have the following effects:

	<i>Increase</i>	<i>Decrease</i>
	<i>£000</i>	<i>£000</i>
Effect on aggregate service cost and interest cost	(372)	289
Effect on defined benefit obligation	<u>(10,599)</u>	<u>12,002</u>

A one year change in the mortality assumption for pension benefits and post-retirement benefits would have the following effects:

	<i>Increase</i>	<i>Decrease</i>
	<i>£000</i>	<i>£000</i>
Effect on aggregate service cost and interest cost	129	(128)
Effect on defined benefit obligation	<u>6,387</u>	<u>(6,227)</u>

The total contributions to the defined benefit plan in 2022 are expected to be £429,000 for the Company.

The duration of the defined benefit plans obligation at the end of the reporting period is 16.0 years (2020: 17.0 years).

Changes in the present value of the defined benefit pension scheme obligations are analysed as follows:

	<i>2021</i>	<i>2020</i>
	<i>£000</i>	<i>£000</i>
As at 1 January	147,514	132,058
Current service cost	604	588
Past service cost	—	—
Interest cost	2,036	2,730
Plan participants contributions	14	15
Benefits paid	(4,240)	(4,070)
Actuarial (gains)/losses	<u>(7,014)</u>	<u>16,193</u>
As at 31 December	<u>138,914</u>	<u>147,514</u>

The defined benefit obligation all arises from a funded scheme.

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18. Pensions (continued)

Changes in the minimum funding liability are analysed as follows:

	2021 £000	2020 £000
As at 1 January	6,417	6,476
Interest cost	90	136
Changes in minimum funding liability	7,326	(195)
As at 31 December	<u>13,833</u>	<u>6,417</u>

Changes in the fair value of defined benefit scheme assets are analysed as follows:

	2021 £000	2020 £000
As at 1 January	153,931	138,534
Net interest on plan assets	2,128	2,876
Employer contributions	421	475
Employer additional contributions	—	450
Plan participants contributions	14	15
Benefits paid	(4,240)	(4,070)
Actuarial gains	493	15,651
As at 31 December	<u>152,747</u>	<u>153,931</u>

19. Derivatives

The Company enters into forward foreign currency contracts and forward commodity contracts to hedge its exposures to existing transactions and firm future commitments. The fair values of derivatives held at the balance sheet date, determined by reference to their marked-to-market values, are as follows:

	2021 £000	2020 £000
Commodity contracts gains	257	627
Commodity contracts losses	(532)	(293)
Forward currency contracts gains	108	99
Forward currency contracts losses	<u>(10)</u>	<u>(8)</u>

The above amounts are recorded within other debtors and other creditors in notes 14 and 15.

In addition, the Company has in place outstanding priced future commitments to buy and sell lead which are expected to be settled in the normal course of trade. These are not considered to be derivative contracts.

An explanation of the Group's financial instrument risk management objectives, policies and strategies is set out in the financing risk management section in note 20.

IFRS 9 prescribes strict criteria for hedge accounting, whether as a cash flow or fair value hedge, and requires that any derivative that does not meet these criteria should be classified as being held for trading purposes and marked-to-market.

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20. Financial risk management objectives and policies

The main business risks faced by the Company in respect of its principal non-derivative financial instruments are liquidity risk, interest rate risk, foreign currency risk, commodity price risk and counterparty risk. The directors review and agree policies for managing these risks.

Funding and liquidity

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and short term deposits, overdrafts, bank loans, notes, finance leases and letters of credit. Liquidity and funding is managed on behalf of the Company by its ultimate parent Ecobat LLC ("Group"). The Group aims to have sufficient committed borrowing facilities to cover its estimated peak borrowing requirements for at least the next twelve months. The Group's facilities are subject to certain covenants and conditions, including change of control provisions. The Group restructured its European and US credit facilities in November 2021 replacing previously existing facilities. The Group has a \$200 million global ABL facility available to meet its peak borrowing requirements. This facility expires on 4 November 2026.

The Company had £3.5m of gross cash and an amount owed by group undertakings as part of a cashpooling arrangement of £4.1m as at 31 December 2021. The Company had not drawn down on the Group's committed revolving credit facilities as at 31 December 2021. The Company has a loan of £14.9m as at 31 December 2021 due to parent company Eco-Bat Technologies Limited.

The Company relies on its own future income, financial support from and drawdowns under the Ecobat LLC committed borrowing base bank facility, intra-group loans and cash pooling from Ecobat LLC to finance its business.

Notes to the financial statements

at 31 December 2021

20. Financial risk management objectives and policies (continued)

The following table summarises the maturity profile of the Company's financial liabilities at 31 December 2021 based on contractual undiscounted payments.

<i>At 31 December 2021</i>	<i>Due within 1 year £000</i>	<i>Due between 1 and 2 years £000</i>	<i>Due between 2 and 5 years £000</i>	<i>Due after 5 years £000</i>	<i>Total £000</i>
<i>Non-Derivatives</i>					
Trade creditors	5,473	—	—	—	5,473
Bank loans and overdrafts	—	—	—	—	—
Amounts owed to group undertakings	13,935	—	—	—	13,935
Amounts owed to group undertakings – cash pooling	4,083	—	—	—	4,083
Lease liability	436	373	380	—	1,189
Other creditors	2,267	—	—	—	2,267
Other taxation and social security	404	—	—	—	404
Accruals	2,852	—	—	—	2,852
Amounts owed to group undertakings - loans	14,942	—	—	—	14,942
	44,392	373	380	—	45,145
<i>Derivatives</i>					
Forward commodity contracts	20,892	—	—	—	20,892
Forward currency contracts	3,173	—	—	—	3,173
	24,065	—	—	—	24,065
	68,457	373	380	—	69,210

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at 31 December 2021

20. Financial risk management objectives and policies (continued)

<i>At 31 December 2020</i>	<i>Due within 1 year £000</i>	<i>Due between 1 and 2 years £000</i>	<i>Due between 2 and 5 years £000</i>	<i>Due after 5 years £000</i>	<i>Total £000</i>
<i>Non-Derivatives</i>					
Trade creditors	4,750	–	–	–	4,750
Bank loans and overdrafts	14,900	–	–	–	14,900
Amounts owed to group undertakings	10,552	–	–	–	10,552
Amounts owed to group undertakings – cash pooling	17,688	–	–	–	17,688
Lease liability	457	357	536	12	1,362
Other creditors	2,551	–	–	–	2,551
Corporation tax	2,167	–	–	–	2,167
Other taxation and social security	615	–	–	–	615
Accruals	2,783	–	–	–	2,783
Amounts owed to group undertakings - loans	–	21,918	–	–	21,918
	56,463	22,275	536	12	79,286
<i>Derivatives</i>					
Forward commodity contracts	11,061	–	–	–	11,061
Forward currency contracts	1,445	–	–	–	1,445
	12,506	–	–	–	12,506
	68,969	22,275	536	12	91,792

Interest rate risk

The Company loan from Eco-Bat Technologies Limited of £14.9m is exposed to interest rate risk on a variable interest rate of 3% above the one month LIBOR rate. If the interest rate was to increase by 1% rate the increase would be £0.21m.

The Group's main borrowing consists of short and medium term borrowings and are at a floating rate. The Group manages this risk through monitoring the market interest rates and making decisions based on that information.

Foreign currency risk

The Company has transactional currency exposures that, where significant, are hedged, by using forward exchange contracts in the same currency as the underlying hedged transaction.

The majority of sales and stock purchases are in the Company's functional currency GBP. The Company protects certain of its future operating margins, where denominated in non-functional currencies, by maintaining a hedge programme of forward currency contracts and currency options, which have a maximum term of two years. As at 31 December 2021, all forward currency contracts and currency options had a term of less than one year.

Notes to the financial statements

at 31 December 2021

20. Financial risk management objectives and policies (continued)

Commodity price risk

The Company is exposed to movements in the prices of the products it produces which are generally sold as commodities, the prices of which are influenced by world markets. The Company limits this exposure by hedging against the financial effect of future prices changes where such hedging can be achieved at an acceptable cost.

The following table demonstrates the sensitivity to a reasonably possible change in the metal prices, with all other variables held constant, of the Company's profit before tax and the Company's equity due solely to changes in the price of open commodities contracts held at year end.

	<i>Increase/decrease in metal price</i>	<i>Effect on profit before tax gain/(loss)</i>
	<i>%</i>	<i>£m</i>
2021	+10	2.6
	-10	(2.6)
2020	+10	2.7
	-10	(2.6)

Capital management

The Company defines capital as being the total equity of the Company, amounting to £59,904,000 (2020 – £53,699,000). The Company does not set a specific target for its capital structure; however it does look to ensure that it maintains adequate capital levels in order to support its business, to support its credit ratings and provide a positive credit profile to its lenders.

Counterparty/credit risk

There are no significant concentrations of credit risk within the Company unless otherwise disclosed. The maximum credit risk exposure relating to financial assets is represented by carrying values as at the balance sheet date.

The Company has established procedures to minimise the risk of default by trade debtors including detailed credit checks undertaken before a customer is accepted. Historically, these procedures have proved effective in minimising the level of impaired and past due debtors.

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21. Financial Instruments

An explanation of the Company's financial instrument risk management objectives, policies and strategies is set out in the financing risk management section in note 20.

IFRS 9 prescribes strict criteria for hedge accounting, whether as a cash flow or fair value hedge, and requires that any derivative that does not meet these criteria should be classified as being held for trading purposes and marked-to-market.

The carrying values of financial instruments were as follows:

2021		<i>FVTPL</i>	<i>Amortised</i>	
	<i>Note</i>	<i>£'000</i>	<i>cost</i>	<i>Total</i>
			<i>£000</i>	<i>£000</i>
Assets				
Cash at bank		—	3,483	3,483
Trade debtors	14	—	19,087	19,087
Other debtors	14	—	948	948
Amounts owed by group undertakings	14	—	13,926	13,926
Derivative financial instruments	14	365	—	365
		365	37,444	37,809
Liabilities				
Bank loan	15	—	—	—
Trade creditors	15	—	5,473	5,473
Other creditors	15	—	2,267	2,267
Amounts owed to group undertakings	15	—	13,935	13,935
Derivative financial instruments	15	542	—	542
<i>Interest bearing loans and borrowings:</i>				
Lease Liabilities	15	—	1,056	1,056
Amounts owed to group undertakings – cash pooling	15	—	4,083	4,083
Amounts owed to group undertakings – loans	15	—	14,942	14,942
		542	41,756	42,298

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21. Financial instruments (continued)

2020		<i>FVTPL</i>	<i>Amortised</i>	<i>Total</i>
	<i>Note</i>	<i>£'000</i>	<i>cost</i> <i>£000</i>	<i>£000</i>
Assets				
Cash at bank		—	37,161	37,161
Trade debtors	14	—	20,355	20,355
Other debtors	14	—	787	787
Amounts owed by group undertakings	14	—	11,206	11,206
Derivative financial instruments	14	726	—	726
		<u>726</u>	<u>69,509</u>	<u>70,235</u>
Liabilities				
Bank loan	15	—	14,900	14,900
Trade creditors	15	—	4,750	4,750
Other creditors	15	—	2,551	2,551
Amounts owed to group undertakings	15	—	10,552	10,552
Derivative financial instruments	15	301	—	301
<i>Interest bearing loans and borrowings:</i>				
Lease Liabilities	15	—	1,218	1,218
Amounts owed to group undertakings – cash pooling	15	—	17,688	17,688
Amounts owed to group undertakings - loans	15	—	21,918	21,918
		<u>301</u>	<u>73,577</u>	<u>73,878</u>

The fair value of the Company's financial instruments is expected to be materially equivalent to their carrying values as at the balance sheet date.

The Company has taken advantage of the disclosure exemption under FRS101 for IFRS13 fair value hierarchy on the grounds that this information is included within the consolidated group financial statements of Ecobat LLC (note 22).

Notes to the financial statements

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22. Ultimate parent company and controlling party

The immediate parent undertaking is HJE Limited whose registered office address is Cowley Lodge, Warren Carr, Matlock, Derbyshire, DE4 2LE. EB Holdings II, Inc., an entity incorporated in the State of Nevada, USA is the smallest group which prepares group financial statements that are publicly available and include the results of the Company. Ecobat LLC., an entity incorporated in the State of Delaware, USA is the largest group which prepares group financial statements that are publicly available and include the results of the Company. Copies of financial statements for both entities are available from:

The Company Secretary
Ecobat LLC
433 E Las Colinas Blvd
Suite 900
Irving
TX 75039
Dallas

The ultimate parent undertaking is Ecobat LLC., an entity incorporated in the state of Delaware, USA. No individual has ultimate beneficial ownership of the Company.

23. Financial and capital commitments

Financial commitments

The Company is a co-guarantor of the Group's external financing arrangement with a syndicate of financial institutions with JPMorgan Chase Bank, N.A as administrative agent and collateral agent.

The following amounts were outstanding as 31 December 2021:

- Parent companies – USD 5,000,000 (2020 nil)
- Fellow subsidiary companies – EUR 80,000,000 (2020 nil)

There were also USD 11,900,000 letters of credit secured against the facility.

Capital commitments

At 31 December 2020, the Company had capital commitments contracted but not provided for of £1,048,012 (2020 – £151,247).