

STRATEGIC REPORT, REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022
FOR
BITREZ LIMITED

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FOR THE YEAR ENDED 31 DECEMBER 2022

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BITREZ LIMITED

COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2022

DIRECTORS:

Mr B Allen
Mr P H Jones

REGISTERED OFFICE:

Bradley Hall Trading Estate
Bradley Lane
Standish
Wigan
Lancashire
WN6 0XQ

REGISTERED NUMBER:

04138468 (England and Wales)

AUDITORS:

Walter Dawson & Son
Chartered Accountants
First Floor Offices, Unit A4
Old Power Way
Lowfields Business Park
Elland
HX5 9DE

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

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

REVIEW OF BUSINESS

The principal activity of the Company continues to be that of the design, development and manufacture of specialist polymers supplied to a diverse range of industries.

The innovative nature of our portfolio coupled with the conservative nature of our markets served, generally means that change does not come quickly. We tend to see steady continued growth as organisations transition to our products driven by regulatory, performance, and/or sustainable targets and this trend continued throughout 2022 although this is not apparent from a cursory review of sales figures. Our total sales revenue in 2022 fell short of the previous year, from £32.8 to £31.2 million, producing a consolidated gross profit of % and a pre-tax net profit of %. However, when breaking down geographic sales it becomes apparent that sales growth was maintained with one exception. The sales distribution this year moved from a 55/45 export/UK percentage split to a 50/50 percentage split.

Aside from the horrendous humanitarian crisis, the invasion of Ukraine and ensuing war has had a devastating impact on the entire supply chain across Europe. Like many other organisations we observed sales reduction in Western Europe, the main decline stemming from products supplied to organisations that subsequently supply into the wind turbine and speciality coatings industries. From mid-March onwards we had to realign our strategy and place greater emphasis on our domestic and US sales drives. As a result, we achieved sales growth in both areas [US sales increase >20% and UK >5%] offsetting the European decline which we believe is improving as organisations adapt to the prevailing situation and demand recovers.

PRINCIPAL RISKS AND UNCERTAINTIES

At the time of compiling this report there remain numerous geo-political factors that are influencing business. The current War in Europe has resulted in supply disruption, price instability, energy surcharges and closure of some businesses. Closer to home, rising inflation has created the cost-of-living crisis which has stemmed numerous pay demands and retaliatory strike actions causing disruption. We identified the winds of changes, pre-empted any possible requests and we supported our personnel through appropriate pay review to continue to maintain a harmonious and satisfied team.

We continue to operate with elevated stocks to offset any supply difficulties and we continue to undertake significant investment in process safety risk assessment and management coupled with engineering works to enhance our layers of protection. Our work and established low free monomer polymers are attracting more attention and with media reference to suspected carcinogens in food and beverage packaging, couple with further legislative reductions in Bis Phenol "A" thresholds, we see more overseas demand for our BPA free portfolio. These products are also being reviewed in horizontal market sectors that are now seeing some of the restrictions that the packaging market have faced for several years. With increasing environmental pressures, we have already started to supply into other areas wanting the benefits our unique products offer.

Whilst successful as a business, we also continue to use our moral compass to navigate and push our boundaries of science and technology for the benefit of mankind and the environment.

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

FUTURE DEVELOPMENTS

We continue to press forward with US opportunities and at the later end of 2022 we completed a phenolic polymer technology transfer, scale up and a provisional pilot production trial which is now sat with the customer for full qualification. This should allow us to supply key global accounts in the US that are themselves undertaking technology transfers from Europe to the US and requiring our regulatory compliant materials. We have undertaken a second technology transfer to another producer, and we are amidst some separate discussions to process some of our epoxy grades in the US. The toll arrangements made provide us with increased income without any capacity restrictions, capital outlay, expenditure, and they provide further benefit by means of localised manufacture, shorter lead-times, reduced inventory, and improved carbon footprint.

The strong links with CPS Ltd and Anacarda Ltd see scope for our manufacturing volumes to significantly increase this year with new discussions being undertaken in the aerospace, rail, and automotive sectors. The patented CPS bio-based products are now being toll produced and growth projections look extremely encouraging.

RESEARCH AND DEVELOPMENT

We would suggest that Europe leads the initiative for regulatory improvement and the drive towards net zero. Awareness of regulatory reform and the need for a movement to safer products, sustainable feedstocks, and recovery or recycling mechanisms is accelerating as global harmonisation of chemical classification further drives multi-national organisations to make change and universally standardise. Our products are designed to meet the most stringent standards and with many chemicals facing reduced acceptable threshold limits, sunset dates or more immediate removal for the market, we are facing increased demands for our services.

We have continued to receive recognition for our work with a multitude of awards and we are particularly pleased that our senior management are part of the FOREST consortium to work on a project to decarbonise the transport sector. Working alongside fellow members that include Mercedes-Benz, Stelia Aerospace and Stellantis, the Italian-American conglomerate Fiat Chrysler Automobiles and the French PSA Group.

The project remit is clear, and we have already looked to use some of the CPS Patented Bio-based Benzoxazines as the basis of satisfying some of the target requirements. The ITN/Chemical Industry Association documentary aptly entitled the "Route to Net Zero", that showcased our bio-based product range formulated to address the anthropogenic damage to the environment, is now itself an exhibition piece in the Catalyst Science Discovery Centre & Museum in nearby Widnes. The Museum will also be housing an interactive Bitrez game "Chemploy" highlighting the variety of career opportunities in the chemical sector. The Museum is a charitable trust that we are partnered with.

ON BEHALF OF THE BOARD:

Mr B Allen - Director

23 March 2023

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their report with the financial statements of the company for the year ended 31 December 2022.

DIVIDENDS

Particulars of recommended dividends are detailed in the notes to the accounts.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2022 to the date of this report.

Mr B Allen
Mr P H Jones

QUALIFYING INDEMNITY PROVISION

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

DISCLOSURE IN THE STRATEGIC REPORT

Certain matters required by regulation to be dealt with in the annual report have been dealt with in the strategic report rather than in the directors report. These include the review of business and the principal risks and uncertainties.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2022

AUDITORS

The auditors, Walter Dawson & Son, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

Mr B Allen - Director

23 March 2023

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
BITREZ LIMITED**

Opinion

We have audited the financial statements of Bitrez Limited (the 'company') for the year ended 31 December 2022 which comprise the Statement of Income and Retained Earnings, Balance Sheet, Cash Flow Statement and Notes to the Cash Flow Statement, Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 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 Auditors' 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 for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

The directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
BITREZ 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 Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors 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 the Report of the Directors.

We have nothing to report in respect of the following matters where 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 Statement of Directors' Responsibilities set out on page four, 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 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.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
BITREZ LIMITED**

Auditors' responsibilities for the audit of the financial statements

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

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below: Our approach to identifying and assessing the risk of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the company through discussions with directors and other management, and form our commercial knowledge and experience of the sector;
- we focussed on specific laws and regulations which considered may have a direct material effect on the financial statements or the operations of the company, including the Companies Act 2006, taxation legislation, data protection, anti-bribery, employment, environmental and health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting any legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was a susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates and where indicative of potential bias; and
- investigated the rationale behind any significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing any correspondence with HMRC, relevant regulators including the Health and Safety Executive, and the company's legal advisors.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
BITREZ LIMITED

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

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 a Report of the Auditors 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.

Graham D Atkinson (Senior Statutory Auditor)
for and on behalf of Walter Dawson & Son
Chartered Accountants
First Floor Offices, Unit A4
Old Power Way
Lowfields Business Park
Elland
HX5 9DE

23 March 2023

**STATEMENT OF INCOME AND
RETAINED EARNINGS
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Notes	2022 £	2021 £
TURNOVER	4	31,236,583	32,796,549
Cost of sales		<u>24,158,393</u>	<u>23,496,232</u>
GROSS PROFIT		7,078,190	9,300,317
Administrative expenses		<u>3,784,669</u>	<u>4,474,756</u>
		3,293,521	4,825,561
Other operating income	5	-	17,187
OPERATING PROFIT	7	<u>3,293,521</u>	<u>4,842,748</u>
Interest receivable and similar income	8	154	23
PROFIT BEFORE TAXATION		<u>3,293,675</u>	<u>4,842,771</u>
Tax on profit	9	223,551	657,652
PROFIT FOR THE FINANCIAL YEAR		<u>3,070,124</u>	<u>4,185,119</u>
Profit and loss account at beginning of year		13,277,628	10,292,509
Dividends	10	(1,200,000)	(1,200,000)
PROFIT AND LOSS ACCOUNT AT END OF YEAR		<u>15,147,752</u>	<u>13,277,628</u>

The notes form part of these financial statements

BALANCE SHEET
31 DECEMBER 2022

	Notes	2022 £	2021 £
CURRENT ASSETS			
Stocks	12	8,807,740	7,748,090
Debtors	13	5,729,560	7,838,189
Cash at bank and in hand		2,528,089	2,880,423
		<u>17,065,389</u>	<u>18,466,702</u>
CREDITORS			
Amounts falling due within one year	14	1,916,637	5,188,074
NET CURRENT ASSETS		<u>15,148,752</u>	<u>13,278,628</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>15,148,752</u>	<u>13,278,628</u>
CAPITAL AND RESERVES			
Called up share capital	16	1,000	1,000
Profit and loss account	17	15,147,752	13,277,628
SHAREHOLDERS' FUNDS		<u>15,148,752</u>	<u>13,278,628</u>

The financial statements were approved by the Board of Directors and authorised for issue on 23 March 2023 and were signed on its behalf by:

Mr B Allen - Director

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Notes	2022 £	2021 £
Cash flows from operating activities			
Cash generated from operations	1	3,480,338	1,518,241
Tax paid		<u>(829,250)</u>	<u>(106,000)</u>
Net cash from operating activities		<u>2,651,088</u>	<u>1,412,241</u>
Cash flows from investing activities			
Interest received		<u>154</u>	<u>23</u>
Net cash from investing activities		<u>154</u>	<u>23</u>
Cash flows from financing activities			
Loans from group undertakings movement		(1,803,576)	(742,260)
Equity dividends paid		<u>(1,200,000)</u>	<u>(1,200,000)</u>
Net cash from financing activities		<u>(3,003,576)</u>	<u>(1,942,260)</u>
Decrease in cash and cash equivalents		<u>(352,334)</u>	<u>(529,996)</u>
Cash and cash equivalents at beginning of year	2	2,880,423	3,410,419
Cash and cash equivalents at end of year	2	<u>2,528,089</u>	<u>2,880,423</u>

The notes form part of these financial statements

**NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS		
	2022	2021
	£	£
Profit before taxation	3,293,675	4,842,771
Finance income	<u>(154)</u>	<u>(23)</u>
	3,293,521	4,842,748
Increase in stocks	(1,059,650)	(1,874,340)
Decrease/(increase) in trade and other debtors	3,101,003	(3,240,254)
(Decrease)/increase in trade and other creditors	<u>(1,854,536)</u>	<u>1,790,087</u>
Cash generated from operations	<u>3,480,338</u>	<u>1,518,241</u>

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Year ended 31 December 2022

	31.12.22	1.1.22
	£	£
Cash and cash equivalents	<u>2,528,089</u>	<u>2,880,423</u>

Year ended 31 December 2021

	31.12.21	1.1.21
	£	£
Cash and cash equivalents	<u>2,880,423</u>	<u>3,410,419</u>

3. ANALYSIS OF CHANGES IN NET FUNDS

	At 1.1.22	Cash flow	At 31.12.22
	£	£	£
Net cash			
Cash at bank and in hand	<u>2,880,423</u>	<u>(352,334)</u>	<u>2,528,089</u>
	2,880,423	(352,334)	2,528,089
Debt			
Debts falling due within 1 year	<u>(978,810)</u>	<u>978,810</u>	<u>-</u>
	(978,810)	978,810	-
Total	<u>1,901,613</u>	<u>626,476</u>	<u>2,528,089</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. STATUTORY INFORMATION

Bitrez Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

The presentation currency of the financial statements is the Pound Sterling (£).

2. STATEMENT OF COMPLIANCE

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

3. ACCOUNTING POLICIES

BASIS OF PREPARING THE FINANCIAL STATEMENTS

The financial statements have been prepared under the historical cost convention.

SIGNIFICANT JUDGEMENTS AND ESTIMATES

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

TURNOVER

Turnover is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

INTANGIBLE ASSETS

Environmental registration fees are valued at cost less accumulated amortisation. Amortisation is provided equally over the useful life at the rate of 10% per year.

GOVERNMENT GRANTS

Government grants are recognised at the fair value of the asset received or receivable. Grants are not recognised until there is reasonable assurance that the company will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised using the accrual model and the performance model.

Under the accrual model, government grants relating to revenue are recognised on a systematic basis over the periods in which the company recognises the related costs for which the grant is intended to compensate. Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs are recognised in income in the period in which it becomes receivable.

Grants relating to assets are recognised in income on a systematic basis over the expected useful life of the asset. Where part of a grant relating to an asset is deferred, it is recognised as deferred income and not deducted from the carrying amount of the asset.

Under the performance model, where the grant does not impose specified future performance-related conditions on the recipient, it is recognised in income when the grant proceeds are received or receivable. Where the grant does impose specified future performance-related conditions on the recipient, it is recognised in income only when the performance-related conditions have been met. Where grants received are prior to satisfying the revenue recognition criteria, they are recognised as a liability.

3. ACCOUNTING POLICIES - continued

STOCKS

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

FINANCIAL INSTRUMENTS

A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Where investments in non-convertible preference shares and non-puttable ordinary shares or preference shares are publicly traded or their fair value can otherwise be measured reliably, the investment is subsequently measured at fair value with changes in fair value recognised in profit or loss. All other such investments are subsequently measured at cost less impairment.

Other financial instruments, including derivatives, are initially recognised at fair value, unless payment for an asset is deferred beyond normal business terms or financed at a rate of interest that is not a market rate, in which case the asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument. Other financial instruments are subsequently measured at fair value, with any changes recognised in profit or loss, with the exception of hedging instruments in a designated hedging relationship.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

TAXATION

Taxation for the year comprises current and deferred tax. Tax is recognised in the Profit and Loss Account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

3. ACCOUNTING POLICIES - continued
DEFERRED TAX

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

RESEARCH AND DEVELOPMENT

Expenditure on research is written off in the year in which it is incurred.

Development expenditure incurred is capitalised as an intangible asset only when all of the following criteria are met:

- It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- There is the intention to complete the intangible asset and use or sell it;
- There is the ability to use or sell the intangible asset;
- The use or sale of the intangible asset will generate probable future economic benefits;
- There are adequate technical, financial and other resources available to complete the development and to use or sell the intangible asset; and
- The expenditure attributable to the intangible asset during its development can be measured reliably.

Expenditure that does not meet the above criteria is expensed as incurred.

FOREIGN CURRENCIES

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

OPERATING LEASES

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

Lease payments are recognised as an expense over the lease term on a straight line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term on a straight line basis.

PENSION COSTS AND OTHER POST-RETIREMENT BENEFITS

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate.

INCOME RECOGNITION

Income is recognised when goods have been delivered to customers such that the risks and rewards of ownership have transferred to them.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2022

4. TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

	2022	2021
	£	£
United Kingdom	15,662,164	14,747,029
Europe	8,371,702	10,428,938
Rest of World	7,202,717	7,620,582
	<u>31,236,583</u>	<u>32,796,549</u>

5. OTHER OPERATING INCOME

	2022	2021
	£	£
Other operating income	-	9,578
CJRS government grant	-	7,609
	<u>-</u>	<u>17,187</u>

6. EMPLOYEES AND DIRECTORS

	2022	2021
	£	£
Wages and salaries	3,391,565	3,343,596
Social security costs	377,132	353,372
Other pension costs	69,683	72,842
	<u>3,838,380</u>	<u>3,769,810</u>

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

	2022	2021
Production staff	63	71
Administrative staff	31	25
	<u>94</u>	<u>96</u>

	2022	2021
	£	£
Directors' remuneration	354,540	446,739
Directors' pension contributions to money purchase schemes	-	6,810
	<u>-</u>	<u>6,810</u>

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	<u>1</u>	<u>1</u>
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BITREZ LIMITED (REGISTERED NUMBER: 04138468)

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2022

6. EMPLOYEES AND DIRECTORS - continued

Information regarding the highest paid director is as follows:

	2022	2021
	£	£
Emoluments etc	<u>336,000</u>	<u>340,859</u>

7. OPERATING PROFIT

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

	2022	2021
	£	£
Hire of plant and machinery	179,442	165,172
Other operating leases	307,192	276,869
Auditors' remuneration	24,684	24,606
Audit-related assurance services	4,935	-
Foreign exchange differences	<u>(351,108)</u>	<u>135,395</u>

8. INTEREST RECEIVABLE AND SIMILAR INCOME

	2022	2021
	£	£
Deposit account interest	<u>154</u>	<u>23</u>

9. TAXATION

Analysis of the tax charge

The tax charge on the profit for the year was as follows:

	2022	2021
	£	£
Current tax:		
UK corporation tax	<u>223,551</u>	<u>657,652</u>
Tax on profit	<u>223,551</u>	<u>657,652</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2022

9. **TAXATION - continued**

RECONCILIATION OF TOTAL TAX CHARGE INCLUDED IN PROFIT AND LOSS

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2022 £	2021 £
Profit before tax	<u>3,293,675</u>	<u>4,842,771</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2021 - 19%)	625,798	920,126
Effects of:		
Expenses not deductible for tax purposes	1,388	1,040
Enhanced tax allowances	<u>(403,635)</u>	<u>(263,514)</u>
Total tax charge	<u>223,551</u>	<u>657,652</u>

10. **DIVIDENDS**

	2022 £	2021 £
Final	<u>1,200,000</u>	<u>1,200,000</u>

11. **INTANGIBLE FIXED ASSETS**

	Env reg fees £
COST	
At 1 January 2022 and 31 December 2022	<u>48,675</u>
AMORTISATION	
At 1 January 2022 and 31 December 2022	<u>48,675</u>
NET BOOK VALUE	
At 31 December 2022	<u>-</u>
At 31 December 2021	<u>-</u>

12. **STOCKS**

	2022 £	2021 £
Raw materials	4,729,842	4,010,520
Finished goods	<u>4,077,898</u>	<u>3,737,570</u>
	<u>8,807,740</u>	<u>7,748,090</u>

BITREZ LIMITED (REGISTERED NUMBER: 04138468)

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2022

13. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		2022	2021
		£	£
Trade debtors		4,136,909	6,765,491
Amounts owed by group undertakings		885,328	-
Other debtors		9,776	7,772
Tax		107,046	-
VAT		215,499	614,079
Prepayments and accrued income		375,002	450,847
		<u>5,729,560</u>	<u>7,838,189</u>

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		2022	2021
		£	£
Trade creditors		1,518,651	3,488,677
Amounts owed to group undertakings		60,562	978,810
Tax		-	498,653
Social security and other taxes		97,711	94,235
Accruals and deferred income		239,713	127,699
		<u>1,916,637</u>	<u>5,188,074</u>

15. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2022	2021
	£	£
Within one year	217,730	277,904
Between one and five years	219,683	434,699
	<u>437,413</u>	<u>712,603</u>

16. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2022	2021
			£	£
1,000	Ordinary	1	<u>1,000</u>	<u>1,000</u>

Ordinary shares carry equal rights in all respects.

17. RESERVES

Profit and loss account - This reserve records retained earnings and accumulated losses.

BITREZ LIMITED (REGISTERED NUMBER: 04138468)

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2022

18. PENSION COMMITMENTS

The company operates a defined contribution pension scheme. The assets of the pension scheme are held separately from those of the company in an independently administered fund. The pension cost represents contributions payable by the company to the fund and amounted to £69,683 (2021: £72,842). Contributions totalling £16,029 (2021: £15,603) were payable to the fund at the year end and are included in creditors.

19. ULTIMATE PARENT COMPANY

Bitrez Group Limited registered in England and Wales, is the company's immediate and ultimate parent undertaking. Consolidated accounts are available from the registered office.

20. CONTINGENT LIABILITIES

There is an inter company guarantee in place at Nat West Bank plc as part of their security held in respect of all companies of the Bitrez Group.

There is an arrangement in place to discount certain sales invoices. Any liability is secured by a first charge over trade debtors.

21. RELATED PARTY DISCLOSURES

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

Entities that provide key management personnel services to the entity

	2022	2021
	£	£
Sales	-	52,409
Services received	548,506	999,981
Amount due from related party	-	65,642
Amount due to related party	<u>-</u>	<u>754,079</u>

22. ULTIMATE CONTROLLING PARTY

The controlling party is the directors.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.