

Company registration number 03306838 (England and Wales)

Global Ceramic Materials Limited
Annual report and financial statements
For the year ended 31 December 2022

Global Ceramic Materials Limited

Company information

Directors	Mr G A Eardley Mr J W H Reijers Mr D I Slinn
Secretary	Mr A Clarke
Company number	03306838
Registered office	Milton Works Diamond Crescent Milton Stoke on Trent Staffordshire ST2 7PX
Auditor	DJH Mitten Clarke Audit Limited The Glades Festival Way Festival Park Stoke-on-Trent Staffordshire ST1 5SQ

Global Ceramic Materials Limited

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Global Ceramic Materials Limited

Strategic report

For the year ended 31 December 2022

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

Review of the business

2022 saw the business return to pre Covid-19 pandemic levels of profitability. Turnover increased by £1.8m compared to 2021, this uplift followed a £2.2m increase during the previous year and resulted in a strong operating result. During the year sales surpassed budgeted levels, and also moved back ahead of the pre-pandemic levels of 2019. During 2020 & 2021 the directors mitigated the impact on profits caused by Covid-19 by using the available Covid-19 government support schemes, in 2022 these schemes were not used meaning that the operating result was independent of government support.

The total value of our sales was significantly higher than 2021. (2022: £9,208,937 vs 2021: £7,417,795)

Following the sudden negative impact of the Covid-19 pandemic in 2020 and then a partial recovery in 2021, 2022 saw the performance of the company return to pre-pandemic levels. After comfortably achieving budgeted EBITDA in 2021, quarter 1 2022 continued in similar fashion with sales & EBITDA both comfortably surpassing budgeted levels. Although not as strong as Q1, sales volumes in Q2 continued to hold at budgeted levels resulting in healthy EBITDA results. Q3 again saw sales levels and EBITDA slightly higher than budgeted levels, however there were early signs that increases in raw material costs would begin to negatively impact the margin going forward. In Q4 with the EBITDA budget for the year already achieved and sales volumes also continuing to surpass budget, a management decision was made to invest in a series of site repairs maintaining the infrastructure of the operation. This exceptional spend impacted EBITDA in the last quarter of the year but left the company in a strong position heading into 2023.

The budget for 2023 again sees strong profitability and the directors are very confident that this will be achieved. While 2023 sales levels are budgeted to increase, we expect margins to come under pressure from inflationary raw material price increases resulting in a slightly reduced EBITDA when compared to 2022.

The 2022 margins were on par with both budget and the prior year.

Our products and technological expertise continue to dominate the Premium Bone China materials market. We continue to research and develop products for new market segments, in 2022 our work was focussed on "Dry Ground" products. This diversification from our core ceramic market is one of the major priorities for the Directors which it is hoped will give greater resilience to sales revenues.

Following two unpredictable years due to Covid-19 the worldwide ceramic tableware market was fairly stable in 2022. Sales in the Leisure, Tourism and Aviation sectors continued to recover well from collapse in 2020 but remained short of 2019 levels, the missing volumes however were offset by an increase in sales to the homeware sector. It is expected that the market may face some uncertainty from inflationary pressures during 2023.

Operating costs in 2022 reflected the improved sales volumes and were above budget. The bulk of the additional cost was volume related as additional employee numbers were required in the year to cover the sales volume increase. Significant exceptional spend was also incurred as a site repair program was implemented in Q4.

Although bone price volatility and intermittent shortages continue to affect the market, our group supply position continues to give added security to raw materials availability and price stability.

Global Ceramic Materials Limited

Strategic report (continued)

For the year ended 31 December 2022

As a result of this the Directors continue to be generally optimistic about medium to longer term market prospects, although uncertainty resulting from rising inflation leaves the Directors remaining cautious in the shorter term. The operating profit for the year was **£699,691 (2021: a profit of £115,660)**.

Stocks have increased to £1,525,276 from £1,150,019 at the year end, this increase was due to the timing of orders and uplift in stock volumes to meet expected future trading commitments. This uplift and other working capital movements have resulted in an increase in net current assets of £756,274. Movements in these other areas was primarily due to timing of receipts and payments from the customer and supplier base along with trading levels around the year end.

Principal risks and uncertainties

The key business risks and uncertainties facing the company are considered to relate to such items as trade debtors and trade creditors that arise directly from its operations. With regards to trade debtors the Company maintains a comprehensive credit insurance policy and through this we are able to monitor risk related to our customer base.

The Company does not conduct business in any foreign currencies other than US Dollars and Euros.

Foreign exchange trading is conducted through the group treasury facility therefore currency fluctuations and risks are managed and controlled. Major raw materials are purchased in Euros and sales to a number of our larger customers are in Euros.

COVID 19

Notwithstanding the content and information contained in the Directors strategic report, and the best assumptions and expectations for 2023 to which it refers at year end 2022, in view of the exceptional nature of the Covid 19 Pandemic and its impact on the UK and World economic projections the directors deem it prudent and necessary to set out the effect on the prospects for the company since the start of 2023.

Sales in Q1 & Q2 2023 remain unaffected by issues relating to the Covid-19 pandemic, although volumes dropped below budgeted levels in Q2 this was due to inflationary pressures in the market and was not Covid-19 related. Budgeted profitability for 2023 may be in doubt unless inflation reduces, and cost of living pressures are eased. Operating costs can now be flexed in line with demand for processed product and should ensure that the company remains profitable during 2023. The prospects for 2024 look promising with inflation expected to reduce from current levels.

Our ultimate parent company Darling Ingredients Incorporated are fully aware of the impact on the GCM business model and financial implications for this year 2023 and 2024, they have given a positive reaction to the actions taken by the Directors in maintaining the profitability of the business.

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Strategic report (continued)

For the year ended 31 December 2022

Financial instruments

Financial risk management objectives and policies

The Company uses various financial instruments which include cash and various items, trade debtors and trade creditors that arise directly from operations. The main purpose of these financial instruments is to raise finance for the company's operations. Their existence exposes the company to a number of financial risks.

The main risks arising from the Company's financial instruments are price risk, interest rate risk, liquidity risk and cash flow risk. The directors review and agree policies for managing each of these risks which are summarised below. These policies have remained unchanged.

Price

The business continues to produce products to be sold in a very competitive market, however prices and bonus structures are constantly reviewed and revised throughout the year to remain competitive.

Interest rate risk

The Company finances its operations through the cash pooling facility.

The Company policy throughout the year has been to achieve its objective of managing interest rate risk through day to day involvement of management in business decisions rather than through setting maximum or minimum levels for the level of fixed interest rate borrowings.

Liquidity and cashflows

The Company uses its cash liquidity for day to day transactions.

Key performance Indicators

The Company utilises a number of qualitative and quantitative indicators to monitor and improve performance. They include value drivers such as Return on Capital Employed, Return on Sales, Capital Turnover. The Cash Conversion Cycle is monitored to ensure maximum positive cash flows.

The Longview business intelligence system allows highly effective interrogation of sales performance and trends.

The company also closely monitors Added Value, Gross margins and EBITA to ensure that adequate sales margins are maintained.

	<u>2022</u>	<u>2021</u>
Gross Margin	36.9%	35.1%
Return On Sales	7.6%	1.6%
R.O.C.E	12.7%	2.5%
Capital Turnover	9.2	7.4
Cash Conversion Cycle	84.4	64.2

The 2022 Gross Margin increased by 1.8% on the prior year, further recovery from the COVID-19 pandemic saw an uplift in turnover of £1.8m.

When compared to 2021 we saw the Return on Sales & R.O.C.E. percentages increase significantly, the operating result was greatly improved as markets further recovered from the pandemic.

The uplift in turnover saw the Capital Turnover ratio increase to 9.2 from 7.4 in 2021.

The Cash Conversion Cycle increased to around 84 days from 64 days in 2021, higher stock levels and an uplift in trade debtors driven by additional trading activity saw this KPI increase.

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Strategic report (continued)

For the year ended 31 December 2022

On behalf of the board

Mr G A Eardley
Director

28 September 2023

Global Ceramic Materials Limited

Directors' report

For the year ended 31 December 2022

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

Principal activities

The principal activity of the company continued to be that of the supply of calcined bone and prepared bone china body to the ceramic tableware market.

Results and dividends

The results for the year are set out on page 10.

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

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr G A Eardley
Mr J W H Reijers
Mr D I Slinn

Statement of directors' responsibilities

The directors are responsible for preparing the annual report 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 of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

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Directors' report (continued)

For the year ended 31 December 2022

On behalf of the board

Mr G A Eardley
Director

28 September 2023

Global Ceramic Materials Limited

Independent auditor's report

To the members of Global Ceramic Materials Limited

Opinion

We have audited the financial statements of Global Ceramic Materials Limited (the 'company') for the year ended 31 December 2022 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including 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 *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 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 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 our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

Global Ceramic Materials Limited

Independent auditor's report (continued)

To the members of Global Ceramic Materials Limited

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

- adequate accounting records have not been kept, 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 remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors

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

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

Our approach to identifying and assessing the risks 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 from our commercial knowledge and experience of the company;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting 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.

Global Ceramic Materials Limited

Independent auditor's report (continued)

To the members of Global Ceramic Materials Limited

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 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; and
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias.

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;
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with HMRC, relevant regulators 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.

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 is available 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.

Gary Neil Chadwick FCCA
Senior Statutory Auditor
For and on behalf of DJH Mitten Clarke Audit Limited

29 September 2023

Accountants
Statutory Auditor

The Glades
Festival Way, Festival Park
Stoke-on-Trent
Staffordshire
ST1 5SQ

Global Ceramic Materials Limited

Statement of comprehensive income

For the year ended 31 December 2022

	Notes	2022 £	2021 £
Turnover	3	9,208,937	7,417,795
Cost of sales		(5,806,826)	(4,816,576)
Gross profit		3,402,111	2,601,219
Administrative expenses		(2,702,420)	(2,500,923)
Other operating income		-	15,364
Operating profit	4	699,691	115,660
Interest receivable and similar income	7	60,244	10,815
Interest payable and similar expenses	8	(9,385)	(11,130)
Profit before taxation		750,550	115,345
Tax on profit	9	(212,049)	(29,146)
Profit for the financial year		538,501	86,199
Other comprehensive income			
Actuarial gain/(loss) on defined benefit pension schemes		576,175	(2,314)
Tax relating to other comprehensive income		(130,540)	440
Total comprehensive income for the year		984,136	84,325

Global Ceramic Materials Limited

Statement of financial position

As at 31 December 2022

		2022		2021	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	10		2,085,904		2,284,259
Current assets					
Stocks	11	1,525,276		1,150,019	
Debtors	12	4,453,135		4,049,142	
		5,978,411		5,199,161	
Creditors: amounts falling due within one year	13	(1,110,607)		(1,087,631)	
Net current assets			4,867,804		4,111,530
Total assets less current liabilities			6,953,708		6,395,789
Provisions for liabilities					
Deferred tax liability	14	273,385		18,504	
			(273,385)		(18,504)
Net assets excluding pension liability			6,680,323		6,377,285
Defined benefit pension liability	15		-		(681,098)
Net assets			6,680,323		5,696,187
Capital and reserves					
Called up share capital	16		5,000		5,000
Share premium account			995,000		995,000
Profit and loss reserves			5,680,323		4,696,187
Total equity			6,680,323		5,696,187

The financial statements were approved by the board of directors and authorised for issue on 28 September 2023 and are signed on its behalf by:

Mr G A Eardley
Director

Company Registration No. 03306838

Global Ceramic Materials Limited

Statement of changes in equity

For the year ended 31 December 2022

	Share capital	Share premium account	Profit and loss reserves	Total
	£	£	£	£
Balance at 1 January 2021	5,000	995,000	4,611,862	5,611,862
Year ended 31 December 2021:				
Profit for the year	-	-	86,199	86,199
Other comprehensive income:				
Actuarial gains on defined benefit plans	-	-	(2,314)	(2,314)
Tax relating to other comprehensive income	-	-	440	440
Total comprehensive income for the year	-	-	84,325	84,325
Balance at 31 December 2021	5,000	995,000	4,696,187	5,696,187
Year ended 31 December 2022:				
Profit for the year	-	-	538,501	538,501
Other comprehensive income:				
Actuarial gains on defined benefit plans	-	-	576,175	576,175
Tax relating to other comprehensive income	-	-	(130,540)	(130,540)
Total comprehensive income for the year	-	-	984,136	984,136
Balance at 31 December 2022	5,000	995,000	5,680,323	6,680,323

Global Ceramic Materials Limited

Notes to the financial statements

For the year ended 31 December 2022

1 Accounting policies

Company information

Global Ceramic Materials Limited is a private company limited by shares incorporated in England and Wales. The registered office is Milton Works, Diamond Crescent, Milton, Stoke on Trent, Staffordshire, ST2 7PX.

1.1 Accounting convention

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

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues: Interest income/expense and net gains/losses for financial instruments not measured at fair value; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Darling Ingredients Incorporated as at 31 December 2022. These consolidated financial statements are available from its registered office, Darling Ingredients Inc, 5601 N MacArthur Blvd, Irving, TX 75038

1.2 Going concern

As at 31 December 2022 the Company had a cash pooling facility managed by the Parent Company and positive working capital, with future trade expected to be cash generative. The directors have confirmed with the respective Company within the Group that the cash pooling facility will not be withdrawn for a period of at least 12 months. The directors consider this to be sufficient to fund the Company's expected working capital requirements, longer term capital commitments and allow for a level of headroom in the event that sales growth does not materialise as expected.

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Global Ceramic Materials Limited

Notes to the financial statements (continued)

For the year ended 31 December 2022

1 Accounting policies

(Continued)

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on despatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold buildings	2.5 - 10% on a reducing balance basis
Plant, machinery and motor vehicles	6.67 - 40% on a reducing balance basis
Fixtures and fittings	8 - 33.3% on a reducing balance basis

Land is not depreciated.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.5 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.6 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

Global Ceramic Materials Limited

Notes to the financial statements (continued)

For the year ended 31 December 2022

1 Accounting policies

(Continued)

1.7 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Global Ceramic Materials Limited

Notes to the financial statements (continued)

For the year ended 31 December 2022

1 Accounting policies

(Continued)

Basic financial liabilities

Basic financial liabilities, including creditors are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.8 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.9 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Global Ceramic Materials Limited

Notes to the financial statements (continued)

For the year ended 31 December 2022

1 Accounting policies

(Continued)

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.10 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Global Ceramic Materials Limited

Notes to the financial statements (continued)

For the year ended 31 December 2022

1 Accounting policies

(Continued)

1.11 Retirement benefits

Defined contribution pension plan

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

The contributions are recognised as an expense in the statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the statement of financial position. The assets of the plan are held separately from the company in independently administered funds.

Defined benefit pension plan

The company operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the statement of financial position in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the reporting date less the fair value of plan assets at the reporting date (if any) out of which the obligations are to be settled.

The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

- a. the increase in net pension benefit liability arising from employee service during the period; and
- b. the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as a 'finance expense'.

1.12 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

Global Ceramic Materials Limited

Notes to the financial statements (continued)

For the year ended 31 December 2022

1 Accounting policies

(Continued)

1.13 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

1.14 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date.

Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All gains and losses arising on transaction in the period are included in profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

2 Judgements and key sources of estimation uncertainty

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

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

Critical judgements

The following judgements have had the most significant effect on amounts recognised in the financial statements.

Stock absorption

The company makes judgements as to which overhead costs are absorbed into the historical cost of stock. The company calculates the actual costs incurred and assesses these costs against those directly attributable to the production of stock and uses this information to apply a percentage of these costs to the stock valuation.

Pension

The company is part of a defined benefit pension scheme. Annually the company engages independent actuaries to calculate the defined benefit obligation using accepted and appropriate valuation techniques. The company reviews the assumptions used in the valuation of the scheme. These assumptions are detailed in note 15.

Depreciation

The company calculates depreciation based on the useful life of the assets. Straight line or reducing balance is used depending on which one is deemed appropriate.

Global Ceramic Materials Limited

Notes to the financial statements (continued)

For the year ended 31 December 2022

3 Turnover and other revenue

	2022 £	2021 £
Turnover analysed by geographical market		
United Kingdom	890,576	722,667
Europe	1,538,233	1,409,870
Rest of the world	6,580,128	5,285,258
	<u>9,208,937</u>	<u>7,417,795</u>
	<u><u>9,208,937</u></u>	<u><u>7,417,795</u></u>
	2022 £	2021 £
Other revenue		
Interest income	60,244	10,815
	<u>60,244</u>	<u>10,815</u>
	<u><u>60,244</u></u>	<u><u>10,815</u></u>

4 Operating profit

	2022 £	2021 £
Operating profit for the year is stated after charging/(crediting):		
Exchange gains	(11,575)	(17,771)
Fees payable to the company's auditor for the audit of the company's financial statements	14,120	22,579
Depreciation of owned tangible fixed assets	250,218	229,089
	<u>250,218</u>	<u>229,089</u>
	<u><u>250,218</u></u>	<u><u>229,089</u></u>

5 Employees

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

	2022 Number	2021 Number
Administration, sales and operations	42	38
	<u>42</u>	<u>38</u>
	<u><u>42</u></u>	<u><u>38</u></u>

Their aggregate remuneration comprised:

	2022 £	2021 £
Wages and salaries	1,425,745	1,202,034
Pension costs	143,923	131,334
	<u>1,425,745</u>	<u>1,202,034</u>
	<u><u>1,569,668</u></u>	<u><u>1,333,368</u></u>

Global Ceramic Materials Limited

Notes to the financial statements (continued)

For the year ended 31 December 2022

6 Directors' remuneration

	2022 £	2021 £
Remuneration for qualifying services	172,372	187,188
Company pension contributions to defined contribution schemes	43,611	35,439
	<u>215,983</u>	<u>222,627</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2021 - 2).

The number of directors for whom retirement benefits are accruing under defined benefit schemes amounted to 1 (2021 - 1).

7 Interest receivable and similar income

	2022 £	2021 £
Interest income		
Interest on bank deposits	60,244	10,815
	<u>60,244</u>	<u>10,815</u>

8 Interest payable and similar expenses

	2022 £	2021 £
Other interest	9,385	11,130
	<u>9,385</u>	<u>11,130</u>

9 Taxation

	2022 £	2021 £
Current tax		
UK corporation tax on profits for the current period	87,708	-
	<u>87,708</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	124,341	29,146
	<u>124,341</u>	<u>29,146</u>
Total tax charge	<u>212,049</u>	<u>29,146</u>

Global Ceramic Materials Limited

Notes to the financial statements (continued)

For the year ended 31 December 2022

9 Taxation

(Continued)

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2022 £	2021 £
Profit before taxation	750,550	115,345
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	142,605	21,916
Tax effect of expenses that are not deductible in determining taxable profit	(529)	9,503
Adjustments in respect of prior years	-	104
Remedial relief	-	(6,816)
Change in deferred tax rates	92,655	4,442
Enhanced capital allowances	(2,956)	(3)
Pension movements	(19,726)	-
Taxation charge for the year	212,049	29,146

In addition to the amount charged to the income statement, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2022 £	2021 £
Deferred tax arising on:		
Actuarial differences recognised as other comprehensive income	130,540	(440)

Global Ceramic Materials Limited

Notes to the financial statements (continued)

For the year ended 31 December 2022

10 Tangible fixed assets

	Freehold buildings	Plant, machinery and motor vehicles	Fixtures and fittings	Total
	£	£	£	£
Cost				
At 1 January 2022	2,331,293	2,732,285	81,392	5,144,970
Additions	-	51,863	-	51,863
Disposals	(22,727)	(142,417)	(34)	(165,178)
At 31 December 2022	2,308,566	2,641,731	81,358	5,031,655
Depreciation and impairment				
At 1 January 2022	1,122,406	1,681,136	57,169	2,860,711
Depreciation charged in the year	63,101	182,302	4,815	250,218
Eliminated in respect of disposals	(22,727)	(142,417)	(34)	(165,178)
At 31 December 2022	1,162,780	1,721,021	61,950	2,945,751
Carrying amount				
At 31 December 2022	1,145,786	920,710	19,408	2,085,904
At 31 December 2021	1,208,887	1,051,149	24,223	2,284,259

Freehold buildings includes £287,000 (2021 £287,000) of land which is not depreciated.

11 Stocks

	2022 £	2021 £
Raw materials and consumables	451,831	360,902
Work in progress	229,342	173,249
Finished goods and goods for resale	844,103	615,868
	<u>1,525,276</u>	<u>1,150,019</u>

12 Debtors

	2022 £	2021 £
Amounts falling due within one year:		
Trade debtors	1,024,183	664,447
Corporation tax recoverable	5,594	-
Amounts owed by group undertakings	3,171,432	3,137,732
Other debtors	67,274	122,766
Prepayments and accrued income	184,652	124,197
	<u>4,453,135</u>	<u>4,049,142</u>

Global Ceramic Materials Limited

Notes to the financial statements (continued)

For the year ended 31 December 2022

13 Creditors: amounts falling due within one year

	2022	2021
	£	£
Trade creditors	420,920	509,606
Amounts owed to group undertakings	249,343	151,102
Taxation and social security	51,481	46,477
Other creditors	209,917	119,807
Accruals and deferred income	178,946	260,639
	<u>1,110,607</u>	<u>1,087,631</u>

14 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities 2022	Liabilities 2021
	£	£
Balances:		
Accelerated capital allowances	<u>273,385</u>	<u>18,504</u>
Movements in the year:		2022
		£
Liability at 1 January 2022		18,504
Charge to profit or loss		385,421
Credit to other comprehensive income		(130,540)
Liability at 31 December 2022		<u>273,385</u>

15 Retirement benefit schemes

	2022	2021
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>69,171</u>	<u>57,624</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund.

Global Ceramic Materials Limited

Notes to the financial statements (continued)

For the year ended 31 December 2022

15 Retirement benefit schemes

(Continued)

Defined benefit schemes

The Global Ceramic Materials Limited Retirement and Death Benefit Scheme is a defined benefit scheme, providing benefits at retirement and on death in service. The most recent full valuation of the scheme was performed as at 16 December 2022 for the 31 December 2022 by a qualified independent actuary, the next one being due on 16 December 2023. The benefit structure has not changed since the valuation. The scheme is closed to new entrants and the age profile of active members will increase over time. Under the projected unit method used for FRS 102, the current service cost as a percentage of salary will increase as active members of the scheme approach retirement. The company expects to contribute £197,000 to its defined benefit pension scheme in 2023.

Having considered the issue of GMP equalisation the directors continue to adopt a similar approach in our current disclosure as the assumptions and estimates surrounding the impact of this are still uncertain. The issue will continue to be monitored and considered in our next actuarial valuation.

	2022	2021
<i>Key assumptions</i>	%	%
Discount rate	1.6	1.6
Expected rate of salary increases	3.70	3.3
	3.70	3.3
	=====	=====
<i>Mortality assumptions</i>	2022	2021
	Years	Years
For an individual aged 45 now		
- Males	20.7	20.7
- Females	22.7	22.6
	=====	=====
For an individual aged 65 now		
- Males	22.0	22.0
- Females	24.2	24.2
	=====	=====
<i>Amounts recognised in the income statement</i>	2022	2021
	£	£
Current service cost	69,776	60,860
Net interest on net defined benefit liability/(asset)	9,385	11,130
	=====	=====
Total costs	79,161	71,990
	=====	=====

Global Ceramic Materials Limited

Notes to the financial statements (continued)

For the year ended 31 December 2022

15 Retirement benefit schemes

(Continued)

	2022 £	2021 £
Actual return on scheme assets	211,636	(279,888)
Less: calculated interest element	60,465	54,535
Return on scheme assets excluding interest income	272,101	(225,353)
Actuarial changes related to obligations	(1,690,808)	227,667
Effect of changes in the amount of surplus that is not recoverable	842,532	-
Total costs/(income)	(576,175)	2,314

The amounts included in the statement of financial position arising from the company's obligations in respect of defined benefit plans are as follows:

	2022 £	2021 £
Present value of defined benefit obligations	2,769,800	4,415,223
Fair value of plan assets	(3,612,332)	(3,734,125)
(Surplus)/deficit in scheme	(842,532)	681,098
Restriction on scheme assets	842,532	-
Total liability recognised	-	681,098

The scheme surplus of £842,532 includes the effect of an asset ceiling of £731,656, resulting in a net defined benefit asset of £110,876. However as this does not have a direct effect on reduced or refunded contributions, the surplus has not been recognised in the financial statements.

	2022 £
<i>Movements in the present value of defined benefit obligations</i>	
Liabilities at 1 January 2022	4,415,223
Current service cost	69,776
Benefits paid	(99,217)
Contributions from scheme members	4,976
Actuarial gains and losses	(1,690,808)
Interest cost	69,850
At 31 December 2022	2,769,800

The defined benefit obligations arise from plans which are wholly or partly funded.

Global Ceramic Materials Limited

Notes to the financial statements (continued)

For the year ended 31 December 2022

15 Retirement benefit schemes (Continued)

	2022	
	£	
<i>Movements in the fair value of plan assets</i>		
Fair value of assets at 1 January 2022	3,734,125	
Interest income	60,465	
Return on plan assets (excluding amounts included in net interest)	(272,101)	
Benefits paid	(99,217)	
Contributions by the employer	189,060	
At 31 December 2022	3,612,332	
	2022	2021
	£	£
<i>Fair value of plan assets at the reporting period end</i>		
Equity instruments	1,132,421	2,189,126
Debt instruments	138,052	74,291
Cash and cash equivalents	1,110,177	201,186
Other	1,231,682	1,269,522
	3,612,332	3,734,125

16 Share capital

	2022	2021	2022	2021
	Number	Number	£	£
Ordinary share capital				
Issued and fully paid				
5,000 ordinary shares of £1 each	5,000	5,000	5,000	5,000

17 Operating lease commitments

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2022	2021
	£	£
Within one year	57,844	76,720
Between two and five years	102,269	139,539
In over five years	-	6,715
	160,113	222,974

Global Ceramic Materials Limited

Notes to the financial statements (continued)

For the year ended 31 December 2022

18 Ultimate controlling party

The immediate parent company of Global Ceramic Materials Limited is Sonac Vuren BV, a company incorporated and registered in The Netherlands.

The ultimate parent company Darling International Incorporated, is a company incorporated and registered in the United States of America.

The largest and smallest group in which the results of the company are consolidated is Darling International Incorporated.

The consolidated financial statements of this group are available to the public and may be obtained from:

Darling Ingredients Inc.
5601 N MacArthur Blvd
Irving
TX 75038
United States of America

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