

Registration number: 01476788

ELG Utica Alloys Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2020



ELG Utica Alloys Limited

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ELG Utica Alloys Limited

Company Information

Directors	Mr A Jones
Registered office	Unit 1 Adwick Park Manvers Rotherham South Yorkshire S63 5AB
Auditors	Hawsons Chartered Accountants Statutory Auditors Pegasus House 463a Glossop Road Sheffield South Yorkshire S10 2QD
Bankers	HSBC Bank plc 35 College Street Rotherham S65 1AF

ELG Utica Alloys Limited

Strategic Report for the Year Ended 31 December 2020

The director presents his strategic report for the year ended 31 December 2020.

Fair review of the business

The performance of the group by activity measured by sales value is set out below:

	2020		2019	
	£	%	£	%
Processing Division	1,509,706	3.91	1,801,064	2.69
Speciality Alloys	35,574,450	92.21	65,149,276	97.31
Broker Sales	1,495,931	3.88	-	-
	<u>38,580,087</u>	<u>100.00</u>	<u>66,950,340</u>	<u>100.00</u>

The 42% drop in sales value was due in particular to the lockdowns imposed around the globe in connection with the coronavirus pandemic and the resulting decline in demand in the superalloys market. In particular a sharp decline in the aerospace industry due to COVID-19 resulted in a collapse of superalloy scrap tonnages. The situation affecting the aerospace industry is showing some signs of recovery in 2021 particularly in airfreight however the passenger side of the business is not expected to recover to pre COVID-19 levels until 2022 at the earliest. Demand for nickel-based superalloy scrap and titanium scrap remains at a historical low.

Despite the difficult trading environment the diverse nature of the super alloys the company trades in has helped to protect it to a certain extent from the difficulties caused by the coronavirus pandemic. As a result the company was still able to trade profitably for the year to 31st December 2020 generating a pre-tax profit of £0.4m compared to a pre-tax profit of £1.5m for 2019.

Key performance indicators

The company's key financial performance indicators during the year were as follows:

	2020	2019	2018
	%	%	%
(Reduction)/Growth in turnover	(42.38)	9.44	17.44
Gross profit margin	9.18	6.95	13.03

Future developments

The company continues to focus on the specialist industries that it serves and aims to further expand its presence within the vacuum alloy, super alloy, prime metal and allied industries. The company will continue to focus its efforts on the high value low volume market sectors.

ELG Utica Alloys Limited

Strategic Report for the Year Ended 31 December 2020 (continued)

COVID-19

The spread of the COVID-19 virus in 2020 and the government imposed lock down has led to an unexpected level of uncertainty for the business. As a result of this the company has reacted rapidly to protect its financial position. Action taken includes:

- The postponement of all non-essential capital expenditure;
- Postponement of non-essential recruitment;
- Active management of cash flows but continuing to pay suppliers on time; and
- Utilisation of the government's Coronavirus Job Retention Scheme and the furloughing of staff where necessary.

The company has re-run its profit and cash projections with reduced activity to ensure that strict cash and cost management is in place. The Director feels that the projections made are realistic and by bringing staff back from furlough in alignment with levels of business the company will be able to trade through these unprecedented times.

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks. The key business risks are considered to be:

- Global economic recovery; the business buys and sells material globally, and demand and production of scrap is key to business success;
- Metal price movements; the business holds a large quantity of inventory, and movements in metal prices can effect the margins of the business;
- Currency movements; the business holds a large quantity of inventory, and movements in currencies can effect the margins of the business.

As part of its management control, the Board continuously reviews business risks. Furthermore, an external BSI audit of management systems is performed each year as part of the company's ISO9001 accreditation.

Statement by the directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006

As the Board at ELG Utica Alloys Ltd, we have a legal responsibility under section 172 of the Companies Act 2006 to act in the way we consider, in good faith, would be most likely to promote the company's success for the benefit of its members as a whole, and to have regard to the long-term effect of our decisions on the company and its stakeholders. This statement addresses the ways in which the Board outwork this responsibility.

Promoting the company's success for its members

ELG Utica Alloys Ltd joined the Haniel group of companies in 2013. The ELG division, of which ELG Utica Alloys Ltd is a part, is a global leader in the trading, processing and recycling of raw materials for the stainless steel industry as well as high performance materials such as superalloys and titanium. With locations in North America, Europe, Asia and Australia the division has one of the industry's largest global networks.

Corporate Responsibility is firmly anchored in the Haniel Group of company's DNA. The aim is to combine economic success with responsibility for employees, society and the environment, thereby creating value for generations. The shared understanding of values is expressed in Haniel's Code of Conduct, which defines principles of conduct in business dealings at all levels.

ELG Utica Alloys Limited

Strategic Report for the Year Ended 31 December 2020 (continued)

Our Stakeholders

The director considers that the following groups are the Company's key stakeholders. The Board seeks to understand the respective interests of such stakeholder groups so that these may be properly considered in the Board's decisions.

Our Employees

The ideas, abilities and commitment of employees are crucial to the company's success. All employees receive regular training to enable them to do their job in a safe and proper manner. The company also invests in the personal development of its employees by targeted continuing development. Employee's strengths and potential for development are identified and development measures are agreed. As a responsible employer the company also takes steps to safeguard the health and productivity of their employees. The company operates a system of preventative health checks as well as training on various healthcare and safety issues.


Our Customers and Suppliers

The company fosters strong mutually beneficial relationships with its suppliers and customers through designated account managers for both customers and suppliers. The Board receives information updates on a variety of topics that indicate and inform how these stakeholders have been engaged.

Our Planet

The company has been active in the recycling of metals for over 40 years and sustainability is naturally anchored in the company's business model and corporate philosophy. Measures carried out recently include the change to energy saving lighting and more efficient use of machinery.

Approved by the Board on 17-06-2021 and signed on its behalf by:


.....
Mr A Jones
Director

ELG Utica Alloys Limited

Director's Report for the Year Ended 31 December 2020

The director presents his report and the audited financial statements for the year ended 31 December 2020.

Directors of the company

The director who held office during the year was as follows:

Mr A Jones

Streamlined Energy and Carbon Reporting

Under changes introduced by the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, large unquoted companies are now obliged to report their UK energy use and associated greenhouse gas ('GHG') emissions in their annual reports.

Below is a summary of the carbon produced by the energy consumed during the year. The carbon is measured against sales tonnage to provide the required intensity ratio. As this is the first year of the SECR scheme, the data covers one financial year. In subsequent years, the directors will report on both the current and the previous year.

UK Greenhouse gas emissions and energy use data for the year

	2020
Energy consumption used to calculate emissions (kWh)	<u>3,652,709</u>
Scope 1 emissions in metric tonnes (CO2e)	
Gas consumption	535
Owned Transport	6
Plant & Machinery	133
Scope 2 emissions in metric tonnes (CO2e)	
Purchased electricity	173
Scope 3 emissions in metric tonnes (CO2e)	
Business travel in employee-owned vehicles	2
Total gross emissions in metric tonnes (CO2e)	<u><u>850</u></u>

Principal measures taken

The company continues to upgrade and replace old fixed assets for more modern equipment to reduce its emissions and energy usage.

References and methodology

The energy data used in this report relates to invoiced consumption against specific meter points for the specified period, and has been qualified by the suppliers of the invoices. Transport and supplementary fuel data were provided directly by the company, together with the selected intensity ratio metric and the supporting intensity ratio data.

Principal activity

The principal activity of the company is sourcing, processing and supply of primary and secondary alloys and metals.

Director's liabilities

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

ELG Utica Alloys Limited

Director's Report for the Year Ended 31 December 2020 (continued)

Strategic report

The company has chosen, in accordance with Companies Act 2006, section 414C(11), to set out in the company's strategic report information required by the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2006, Sch. 7 to be contained in the directors' report. It has been done so in respect of future developments, research and development and financial instruments.

Disclosure of information to the auditors


The director of the company who held office at the date of the approval of this Annual Report as set out above, confirms that:

- so far as he is aware, there is no relevant audit information (information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware, and
- he has taken all the steps that he ought to have taken as 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.

Reappointment of auditors

In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of Hawsons Chartered Accountants as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board on 17-06-2021 and signed on its behalf by:


.....
Mr A Jones
Director

ELG Utica Alloys Limited

Statement of Director's Responsibilities

The director acknowledges his responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has 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 director must not approve the financial statements unless he is 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 director is required to:

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

The director is 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 him to ensure that the financial statements comply with the Companies Act 2006. He is 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.

The director is responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

ELG Utica Alloys Limited

Independent Auditor's Report to the Members of ELG Utica Alloys Limited

Opinion

We have audited the financial statements of ELG Utica Alloys Limited (the 'company') for the year ended 31 December 2020, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows, and the 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 2020 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, it is difficult to evaluate all of the potential implications of the current COVID-19 outbreak on the company's trade, employees, customers, suppliers and the wider economy.

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 director is 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.

ELG Utica Alloys Limited

Independent Auditor's Report to the Members of ELG Utica Alloys Limited (continued)

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.

Opinion on other matter 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 Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Director's Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our 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 Director's Report.

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

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

Responsibilities of the director

As explained more fully in the Statement of Director's Responsibilities set out on page 7, the director is 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 director determines 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 director is 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 director either intends 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.

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:

ELG Utica Alloys Limited

Independent Auditor's Report to the Members of ELG Utica Alloys Limited (continued)

The company is subject to laws and regulations that directly and indirectly affect the financial statements. Based on our understanding of the company and the environment it operates within, we determined that the laws and regulations which were most significant included FRS 102, Companies Act 2006, Health and Safety regulations, employment laws and laws applicable to companies trading in scrap metals. We considered the extent to which non-compliance with these laws and regulations might have a material effect on the financial statements, including how fraud might occur. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries to improve the company's result for the period, and management bias in key accounting estimates such as revenue recognition and stock provisions.

Audit procedures performed by the engagement team included:

- Discussions with management and those responsible for legal compliance procedures within the company to obtain an understanding of the legal and regulatory framework applicable to the company and how the company complies with that framework, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Reviewing minutes of Board meetings;
- Identifying and assessing the design effectiveness of controls that management has in place to prevent and detect fraud and non-compliance with laws and regulations;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to revenue recognition and stock provisions;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or posted by senior management.

There are inherent limitations in the audit procedures described above and the more removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

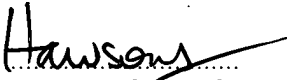
A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk. This description forms part of our auditor's report.

ELG Utica Alloys Limited

Independent Auditor's Report to the Members of ELG Utica Alloys Limited (continued)

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.


.....
Craig Burton (Senior Statutory Auditor)
For and on behalf of Hawsons Chartered Accountants, Statutory Auditor

Pegasus House
463a Glossop Road
Sheffield
South Yorkshire
S10 2QD

Date: 21 June 2021

ELG Utica Alloys Limited

Statement of Comprehensive Income for the Year Ended 31 December 2020

	Note	2020 £	2019 £
Turnover	2	38,580,087	66,950,340
Cost of sales		<u>(35,039,075)</u>	<u>(62,298,719)</u>
Gross profit		3,541,012	4,651,621
Distribution costs		(300,233)	(362,548)
Administrative expenses		(2,722,432)	(2,675,715)
Other operating income	3	<u>197,403</u>	<u>112,837</u>
Operating profit	4	715,750	1,726,195
Other interest receivable and similar income	8	26,413	16,661
Amounts written off investments	13	(266,376)	-
Interest payable and similar charges	9	<u>(110,390)</u>	<u>(244,164)</u>
Profit before tax		365,397	1,498,692
Taxation	10	<u>(127,250)</u>	<u>(240,562)</u>
Profit for the financial year		<u>238,147</u>	<u>1,258,130</u>
Total comprehensive income for the year		<u><u>238,147</u></u>	<u><u>1,258,130</u></u>

All comprehensive income for the financial year is attributable to equity holders of the parent company.

The above results were derived from continuing operations.

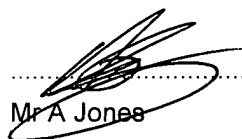
ELG Utica Alloys Limited

(Registration number: 01476788)

Balance Sheet as at 31 December 2020

	Note	2020 £	2019 £
Fixed assets			
Intangible assets	11	-	-
Tangible assets	12	4,507,650	4,912,298
Investments	13	97,113	363,489
		<u>4,604,763</u>	<u>5,275,787</u>
Current assets			
Stocks	14	19,066,419	19,871,164
Debtors	15	8,819,282	13,873,792
Cash at bank and in hand	16	14,004	15,159
		<u>27,899,705</u>	<u>33,760,115</u>
Creditors: Amounts falling due within one year	17	<u>(9,492,685)</u>	<u>(16,240,392)</u>
Net current assets		<u>18,407,020</u>	<u>17,519,723</u>
Total assets less current liabilities		<u>23,011,783</u>	<u>22,795,510</u>
Provisions for liabilities	19	<u>(9,150)</u>	<u>(31,024)</u>
Net assets		<u>23,002,633</u>	<u>22,764,486</u>
Capital and reserves			
Called up share capital	18	25,186	25,186
Share premium reserve		47,468	47,468
Capital redemption reserve		17,333	17,333
Profit and loss account		<u>22,912,646</u>	<u>22,674,499</u>
Total equity		<u>23,002,633</u>	<u>22,764,486</u>

Approved and authorised for issue by the director on 17-06-2021



 Mr A Jones
 Director

ELG Utica Alloys Limited

Statement of Changes in Equity for the Year Ended 31 December 2020

	Share capital £	Share premium £	Capital redemption reserve £	Profit and loss account £	Total £
At 1 January 2020	25,186	47,468	17,333	22,674,499	22,764,486
Profit for the year	-	-	-	238,147	238,147
At 31 December 2020	<u>25,186</u>	<u>47,468</u>	<u>17,333</u>	<u>22,912,646</u>	<u>23,002,633</u>

	Share capital £	Share premium £	Capital redemption reserve £	Profit and loss account £	Total £
At 1 January 2019	25,186	47,468	17,333	21,416,369	21,506,356
Profit for the year	-	-	-	1,258,130	1,258,130
At 31 December 2019	<u>25,186</u>	<u>47,468</u>	<u>17,333</u>	<u>22,674,499</u>	<u>22,764,486</u>

ELG Utica Alloys Limited

Statement of Cash Flows for the Year Ended 31 December 2020

	Note	2020 £	2019 £
Cash flows from operating activities			
Profit for the year		238,147	1,258,130
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	4	583,372	550,151
Hedging losses/(gains)		278,585	(364,558)
Amounts written off investments		266,376	-
Profit on disposal of tangible assets		(4,410)	(5,211)
Finance income		(26,413)	(16,661)
Finance costs		110,390	244,164
Income tax expense		127,250	240,562
		<u>1,573,297</u>	<u>1,906,577</u>
Working capital adjustments			
Decrease in stocks		804,745	1,676,363
Decrease in trade debtors		5,050,468	2,899,618
Decrease in trade creditors		<u>(5,631,426)</u>	<u>(4,212,378)</u>
Cash generated from operations		1,797,084	2,270,180
Income taxes paid		<u>(149,124)</u>	<u>(219,506)</u>
Net cash flow from operating activities		<u>1,647,960</u>	<u>2,050,674</u>
Cash flows from investing activities			
Interest received		26,413	16,661
Acquisitions of tangible assets		(181,494)	(354,686)
Proceeds from sale of tangible assets		<u>7,180</u>	<u>19,000</u>
Net cash flows from investing activities		<u>(147,901)</u>	<u>(319,025)</u>
Cash flows from financing activities			
Interest paid		<u>(110,390)</u>	<u>(244,164)</u>
Net increase in cash and cash equivalents		1,389,669	1,487,485
Cash and cash equivalents at 1 January	16	<u>(1,453,838)</u>	<u>(2,941,323)</u>
Cash and cash equivalents at 31 December	16	<u><u>(64,169)</u></u>	<u><u>(1,453,838)</u></u>

The notes on pages 17 to 29 form an integral part of these financial statements.

ELG Utica Alloys Limited

Statement of Cash Flows for the Year Ended 31 December 2020 (continued)

Analysis of changes in net debt

	At 1 January 2020	Cash flows	At 31 December 2020
	£	£	£
Cash and cash equivalents			
Cash at bank and in hand	15,159	(1,155)	14,004
Bank overdraft	(1,468,997)	1,390,824	(78,173)
Total net funds/(debt)	(1,453,838)	1,389,669	(64,169)

ELG Utica Alloys Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

1 Accounting policies

Statutory information

ELG Utica Alloys Limited is a private company, limited by shares, incorporated and domiciled in England and Wales, company number 01476788. The registered office is at Unit 1 Adwick Park, Manvers, Rotherham, S63 5AB.

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Exemption from preparing group accounts

As a wholly owned subsidiary of a company established under the law of an EEA state using EU-adopted IFRS accounting standards to produce group accounts (see note 24) the company is exempt under section 401 of the Companies Act 2006 from preparing and delivering to the Registrar of Companies consolidated financial statements. These financial statements therefore present information about the company as an individual undertaking and not about its group.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. There has been no material departure from this standard.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value. The presentation currency is United Kingdom pounds sterling.

Revenue recognition

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the company's activities. Turnover is recognised when the rights and rewards of ownership have transferred to the customer. Turnover is shown net of value added tax, returns, rebates and discounts and after eliminating sales within the company.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Land and buildings	4% straight line
Motor vehicles	20% - 25% reducing balance
Plant and machinery	25% reducing balance
Fixtures and fittings	25% reducing balance

Investments

Investments in equity shares which are publicly traded or where the fair value can be measured reliably are initially measured at fair value, with changes in fair value recognised in profit or loss. Investments in equity shares which are not publicly traded and where fair value cannot be measured reliably are measured at cost less impairment.

ELG Utica Alloys Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

1 Accounting policies (continued)

Goodwill

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each reporting period date. Goodwill is amortised over its useful life, which shall not exceed ten years if a reliable estimate of the useful life cannot be made.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell.

Going concern

After due consideration of all relevant factors, including the impact of the current COVID-19 pandemic on the business, preparation of forecasts under different scenarios and the support of the parent company demonstrated in the past, the directors consider that the company will continue to operate within the financial facilities available, and that it is appropriate to prepare the financial statements on a going concern basis.

Key sources of estimation uncertainty

Key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are as follows:

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic live and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 11 for the carrying amount of the tangible assets.

Government grants

Grants that relate to the financing of projects to expand the operations of the business are amortised over the expected useful economic lives of the assets or projects concerned. Grants relating to the revenue expenditure are credited to income where receivable.

ELG Utica Alloys Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

1 Accounting policies (continued)

Deferred tax

Deferred tax shall be recognised in respect of all timing differences at the reporting date, except as otherwise required by FRS102. Timing differences are differences between taxable profits and total comprehensive income as stated in the financial statements that 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 income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Unrelieved tax losses and other deferred tax assets shall be 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.

Foreign currency

Transactions in foreign currencies are recorded at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the closing rates at the balance sheet date. All exchange differences are included in the profit and loss account.

Hire purchase and leasing

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Where shares are issued, any component that creates a financial liability of the company is presented as a liability in the balance sheet. The corresponding dividends relating to the liability component are charged as interest expense in the profit and loss account.

Pensions

The company operates a defined contribution pension scheme. Contributions are recognised in the profit and loss account in the period in which they become payable in accordance with the rules of the scheme.

Derivative financial instruments and hedging

The company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and nickel prices. The company uses foreign exchange forward contracts and forward nickel contracts to hedge these exposures. The company does not use derivative financial instruments for speculative purposes.

Changes in the fair value of derivatives are recognised in the income statement as they arise.

ELG Utica Alloys Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Revenue

An analysis of turnover by geographical location is given below:

	2020 £	2019 £
Sales - UK	11,373,568	10,817,652
Sales - Europe	19,499,611	28,232,029
Sales - USA	4,840,755	20,837,581
Sales - Rest of world	2,866,153	7,063,078
	<u>38,580,087</u>	<u>66,950,340</u>

During the year 70.52% (2019 - 61.14%) of the company's turnover related to exports.

3 Other operating income

The analysis of the company's other operating income for the year is as follows:

	2020 £	2019 £
Government grants - employment support grants	146,227	-
Other operating income	3,455	67,424
Management charge	47,721	45,413
	<u>197,403</u>	<u>112,837</u>

4 Operating profit/(loss)

Arrived at after charging/(crediting)

	2020 £	2019 £
Hedging losses/(gains)	278,585	(364,558)
Profit on disposal of tangible fixed assets	(4,410)	(5,211)
Depreciation of owned assets	<u>583,372</u>	<u>550,151</u>

5 Auditors' remuneration

	2020 £	2019 £
Audit of the financial statements	37,500	37,500
Other fees to auditors		
Taxation compliance services	8,000	8,000
Other services	6,900	7,205
	<u>52,400</u>	<u>52,705</u>

ELG Utica Alloys Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

6 Particulars of employees

The average number of persons employed by the company (including the director) during the year, analysed by category was as follows:

	2020 No.	2019 No.
Production	60	62
Administration and support	8	8
	<u>68</u>	<u>70</u>

The aggregate payroll costs were as follows:

	2020 £	2019 £
Wages and salaries	2,323,132	2,620,522
Social security costs	207,928	231,167
Pension costs, defined contribution scheme	62,187	60,727
	<u>2,593,247</u>	<u>2,912,416</u>

7 Director's remuneration

The director's remuneration for the year was as follows:

	2020 £	2019 £
Remuneration (including benefits in kind)	154,075	180,834
Contributions paid to money purchase schemes	8,722	9,842
	<u>162,797</u>	<u>190,676</u>

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2020 No.	2019 No.
Accruing benefits under money purchase pension scheme	<u>1</u>	<u>1</u>

8 Other interest receivable and similar income

	2020 £	2019 £
Other interest receivable	1,137	4,883
Interest receivable from group companies	<u>25,276</u>	<u>11,778</u>
	<u>26,413</u>	<u>16,661</u>

ELG Utica Alloys Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

9 Interest payable and similar expenses

	2020 £	2019 £
Interest on bank borrowings	11,455	67,575
Interest on loans from group undertakings	98,935	176,589
	<u>110,390</u>	<u>244,164</u>

10 Taxation

Tax charged/(credited) in the income statement

	2020 £	2019 £
Current taxation		
Corporation tax charge	149,124	219,506
Deferred taxation		
Origination and reversal of timing differences	<u>(21,874)</u>	<u>21,056</u>
Total tax on profit on ordinary activities	<u>127,250</u>	<u>240,562</u>

Factors affecting current tax charge for the year

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2019 - lower than the standard rate of corporation tax in the UK) of 19% (2019 - 19%).

The differences are reconciled below:

	2020 £	2019 £
Profit before tax	<u>365,397</u>	<u>1,498,692</u>
Corporation tax at standard rate	69,425	284,751
Expenses not deductible for tax	85,044	35,634
Corporation tax losses utilised in year	(26,857)	(77,229)
Increase (decrease) from tax losses for which no deferred tax asset was recognised	<u>(362)</u>	<u>(2,594)</u>
Total tax charge	<u>127,250</u>	<u>240,562</u>

ELG Utica Alloys Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

10 Taxation (continued)

Deferred tax

Deferred tax assets and liabilities (see note 19)

	Asset/ (liability) £
2020	
Unutilised losses	31,461
Accelerated capital allowances	<u>(40,611)</u>
	<u>(9,150)</u>
2019	
Unutilised losses	31,567
Accelerated capital allowances	<u>(62,591)</u>
	<u>(31,024)</u>

11 Intangible assets

	Goodwill £
Cost or valuation	
At 1 January 2020 and 31 December 2020	<u>361,001</u>
Amortisation	
At 1 January 2020 and 31 December 2020	<u>361,001</u>
Carrying amount	
At 31 December 2019 and 31 December 2020	<u>-</u>

ELG Utica Alloys Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

12 Tangible assets

	Freehold land and buildings £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Total £
Cost or valuation					
At 1 January 2020	5,353,902	3,732,328	291,183	40,490	9,417,903
Additions	45,124	133,133	3,237	-	181,494
Disposals	-	(32,752)	-	-	(32,752)
At 31 December 2020	<u>5,399,026</u>	<u>3,832,709</u>	<u>294,420</u>	<u>40,490</u>	<u>9,566,645</u>
Depreciation					
At 1 January 2020	1,405,189	2,824,246	235,680	40,490	4,505,605
Charge for the year	189,538	378,336	15,498	-	583,372
Eliminated on disposal	-	(29,982)	-	-	(29,982)
At 31 December 2020	<u>1,594,727</u>	<u>3,172,600</u>	<u>251,178</u>	<u>40,490</u>	<u>5,058,995</u>
Carrying amount					
At 31 December 2020	<u>3,804,299</u>	<u>660,109</u>	<u>43,242</u>	<u>-</u>	<u>4,507,650</u>
At 31 December 2019	<u>3,948,713</u>	<u>908,082</u>	<u>55,503</u>	<u>-</u>	<u>4,912,298</u>

ELG Utica Alloys Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

13 Investments in subsidiaries, joint ventures and associates

	2020 £	2019 £
Shares in group undertakings and participating interests	<u>97,113</u>	<u>363,489</u>
Shares in group undertakings and participating interests		
Cost		Subsidiary undertakings £
At 1 January 2020 and 31 December 2020		<u>363,489</u>
Provision		
At 1 January 2020		-
Charge for the year		<u>266,376</u>
At 31 December 2020		<u>266,376</u>
Net book value		
At 31 December 2020		<u>97,113</u>
At 31 December 2019		<u>363,489</u>

In the year the company impaired all goodwill to a net book value of £nil, as part of a group wide decision, due to the ongoing global COVID-19 pandemic.

Details of undertakings

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Country of incorporation	Holding	Proportion of voting rights and shares held 2020	Proportion of voting rights and shares held 2019
Subsidiary undertakings				
ABS Alloys and Metals SA (Pty) Limited	South Africa	Ordinary	100%	100%
Marsmetal SAS	France	Ordinary	100%	100%
ELG Utica Alloys Singapore PTE. Ltd	Singapore	Ordinary	100%	100%

ELG Utica Alloys Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

13 Investments in subsidiaries, joint ventures and associates (continued)

The principal activity of ABS Alloys and Metals SA (Pty) Limited is alloy merchants. The registered office is at 4 Industrie Road, PO Box 1228, Isando, 1600 Johannesburg, Gauteng, South Africa. The profit for the financial period was £99,850 and the aggregate amount of capital and reserves at the end of the period was £1,992,843.

The principal activity of Marsmetal SAS is speciality alloys merchant. The registered office is at 7 Rue Antoine Balard, BP 40670, Cergy Pontoise Cedex, FR-95310, France. The profit for the financial period was £29,428 and the aggregate amount of capital and reserves at the end of the period was £1,861,455.

The principal activity of ELG Utica Alloys Singapore PTE is speciality alloys merchant. The registered office is at 22 Pioneer Crescent, 04-07 West Park BizCentral, Singapore, 628556. The loss for the financial period was £(69,241) and the aggregate amount of capital and reserves at the end of the period was £(978,681).

14 Stocks

	2020 £	2019 £
Stocks	<u>19,066,419</u>	<u>19,871,164</u>

15 Debtors

	2020 £	2019 £
	Note	
Trade debtors	4,154,212	7,885,530
Amounts owed from group undertakings	3,139,149	3,791,417
Derivative financial instruments	23 382,449	361,202
Other debtors	357,465	1,247,425
Prepayments and accrued income	<u>786,007</u>	<u>588,218</u>
	<u>8,819,282</u>	<u>13,873,792</u>

16 Cash and cash equivalents

	2020 £	2019 £
Cash on hand	3,486	3,772
Cash at bank	<u>10,518</u>	<u>11,387</u>
	14,004	15,159
Bank overdrafts	<u>(78,173)</u>	<u>(1,468,997)</u>
Cash and cash equivalents in statement of cash flows	<u>(64,169)</u>	<u>(1,453,838)</u>

ELG Utica Alloys Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

17 Creditors

	Note	2020 £	2019 £
Due within one year			
Loans and borrowings	16	78,173	1,468,997
Trade creditors		2,016,919	2,556,184
Amounts owed to group undertakings		5,246,214	9,147,981
Social security and other taxes		67,893	116,867
Other payables		116,440	47,779
Accrued expenses		1,625,942	2,836,023
Derivative financial instruments	23	341,104	66,561
		<u>9,492,685</u>	<u>16,240,392</u>

18 Share capital

Allotted, called up and fully paid shares

	2020		2019	
	No.	£	No.	£
Ordinary A shares of £1 each	10,000	10,000	10,000	10,000
Ordinary B shares of £1 each	10,000	10,000	10,000	10,000
Ordinary C shares of £1 each	2,668	2,668	2,668	2,668
Ordinary D shares of £1 each	2,518	2,518	2,518	2,518
	<u>25,186</u>	<u>25,186</u>	<u>25,186</u>	<u>25,186</u>

There are no restrictions on the distribution of dividends and the repayment of capital. Ordinary C and Ordinary D shareholders are not entitled to vote at General meetings.

19 Deferred tax and other provisions

	Deferred tax £
At 1 January 2020	31,024
Decrease in existing provisions	<u>(21,874)</u>
At 31 December 2020	<u>9,150</u>

See note 10 for details of the deferred tax liability.

ELG Utica Alloys Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

20 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £62,187 (2019 - £60,727).

Contributions totalling £834 (2019 - £1,387) were payable to the scheme at the end of the year and are included in creditors.

21 Commitments

Operating lease commitments

The total of future minimum lease payments is as follows:

	2020	2019
	£	£
Not later than one year	36,677	37,943
Later than one year and not later than five years	28,794	65,471
	<u>65,471</u>	<u>103,414</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £140,960 (2019 - £156,940).

22 Related party transactions

Transactions with other members of the group

The company has taken advantage of the exemption in FRS102 from disclosing transactions with other members of the group.

ELG Utica Alloys Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

23 Financial instruments

Categorisation of financial instruments

	2020		2019	
	Assets	Liabilities	Assets	Liabilities
	£	£	£	£
Forward foreign exchange contracts	341,132	(142,953)	361,202	(66,561)
Forward nickel contracts	41,317	(198,151)	-	-
	<u>382,449</u>	<u>(341,104)</u>	<u>361,202</u>	<u>(66,561)</u>

Currency derivatives

The company utilises currency derivatives to hedge significant future transactions and cash flows. The company is a party to foreign currency forward contracts in the management of its exchange rate exposures.

Commodity derivatives

The company utilises commodity derivatives to hedge significant future transactions and cash flows. The company from time to time is party to forward nickel contracts in the management of its exposure to fluctuations in global nickel prices.

24 Control

The company is controlled by ELG Utica Alloys International GmbH. The ultimate controlling party is Franz Haniel & Cie. GmbH. Both are companies incorporated in Germany. Copies of the parent's consolidated financial statements may be obtained from Kremerskamp 16, D-47138 Duisberg, Germany.

On 6 May 2021, it was announced that Aperam S.A. had signed a Share Purchase Agreement with Franz Haniel & Cie GmbH to acquire ELG Haniel GmbH. The acquisition is subject to customary regulatory approvals. The transaction is expected to be completed during the second half of 2021.

25 Financial risk management

The company has exposures to two main areas of risk - foreign exchange currency exposure and customer credit exposure.

Foreign exchange transactional currency exposure

The company is exposed to currency exchange rate risk due to a significant proportion of its receivables and operating expenses being denominated in non-Sterling currencies. The net exposure of each currency is monitored and managed by the use of forward foreign exchange contracts.

Customer credit exposure

The company may offer credit terms to its customers which allow payment of the debt after delivery of the goods or services. The company is at risk to the extent that a customer may be unable to pay the debt on the specified due date. This risk is mitigated by the strong on-going customer relationships and by credit insurance.