

Co. House

Company Number: 01517971

ELG Metals UK Limited
(formerly *ELG Haniel Metals Ltd*)

Annual Report and Financial Statements

For the year ended 31 December 2021



Registered Office

Templeborough Works
Sheffield Road
Sheffield
S9 1RT

Directors

A R Dodd
N P Stretton
M J Tighe

Company Secretary

L C Horvath

Auditors

Hawsons Chartered Accountants
Pegasus House
463a Glossop Road
Sheffield
S10 2QD

Bankers

Barclays Bank plc
Arena Court
Sheffield
S9 2WU

Solicitors

Knights plc
Commercial House
14 Commercial Street
Sheffield
S1 2AT

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

Review of the business

The principal activity of the company continued to be that of metal trading. The results for the year are detailed in the financial statements.

Business Environment

With the impact of the COVID-19 pandemic easing through 2021, we saw a significant increase in global demand for Stainless Steel throughout the year. With all customers enjoying full order books, demand for raw materials including scrap remained high.

The raw material prices relevant to the business performed well, with Ferrochrome seeing steady gains throughout the year, whilst Nickel ended the year at \$20,900 per tonne, over \$3,500 above the start of the year. On average, the price of nickel in 2021 was \$18,484 per tonne, around 34% above the previous year. The iron valuation in scrap was an average of \$460 per tonne, an increase of around 70% compared to the previous year.

Throughout the year, the company continued to make both financial and environmental savings as a result of initiatives targeting reduction of double-handling and streamlining of logistics operations.

The company continues to invest and place emphasis on Quality, Health & Safety and Environmental Management Systems.

Future Outlook

The company continues to maintain its position as a strong partner of Stainless Steel mills throughout the world, mitigating regional production fluctuation risks. Demand around the globe for quality raw materials is expected to continue to increase in 2022, supported by full order books of the Stainless Steel mills based on further recovery of the global economy.

Global geopolitical issues, particularly the UK's departure from the EU and the conflict in Ukraine, continue to present some business volatility, specifically commodity pricing and foreign exchange.

The spiralling cost of energy, particularly in Europe, presents some level of risk to production at stainless steel mills operating very energy-intensive plants. This in turn presents a risk to the demand in scrap metal for melting.

Management continues to work closely with the British Metals Recycling Association in Huntingdon and EuRIC in Brussels, engaging with governments and other stakeholders to minimise the ever-increasing burden of legislation and policy within our industrial sector, including changes to legislation regarding shredder residue and industrial use of red diesel.

The continued unclear course of the COVID-19 pandemic results in noticeable uncertainties. Depending on its severity and further development, the COVID-19 pandemic could continue to have a negative impact on the global economy and slow down the expected recovery in the regions and segments that are relevant for the company. This in turn would have a negative impact on the business development in 2022.

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 affecting the company are considered to be:

- Market volatility – the company's hedging strategy protects its performance as far as possible from the volatility of the nickel price;
- Environmental issues, especially radiation risks;
- Health and safety issues;
- The ongoing COVID-19 pandemic – particularly the potential emergence of more aggressive strains of the virus.
- European energy cost spikes.

As part of its management control, the Board formally reviews business risks. Furthermore, an external BSI audit of management systems is performed each year as part of the company's ISO 9001 accreditation, as well as internal audits at regular intervals by the parent company.

Key performance indicators ("KPIs")

The Board monitors progress on the company's strategy by reference to three KPIs. Performance during the year, together with historical trend data, is as follows:

| | 2021 % | 2020 % | 2019 % |
|---|-----------|-----------|-----------|
| Growth/(decline) in turnover – all operations | 45 | (30) | (17) |
| Growth/(decline) in sales volumes (tonnage) | 5 | (26) | (11) |
| Gross profit margin – all operations | 6.6 | 3.8 | 3.9 |

Duty to promote the success of the company – Section 172 statement

The directors of the company continue to act in the way they consider, in good faith, would be the most likely to promote the success of the company for the benefit of its members as a whole, and in doing this the directors have taken into account:

- *the likely consequences of any decision in the long term*
Effective change-management strategies are employed to ensure key business decisions have a positive impact on the business in the long term. This includes analysing the risks and opportunities of such decisions, then developing plans to ensure risks are eliminated or adequately reduced, and opportunities are fully maximised.
- *the interests of the company's employees*
The directors promote a safe and healthy workplace by prioritising employees' safety and wellbeing. A positive mental health culture in the workplace is achieved by training employees and managers to recognise the signs of mental health and by having sources of support in place to help anybody who may be suffering from mental health issues. A safe working environment is achieved by providing employees with the tools, training and skills required to do their job in a safe manner. The directors ensure sufficient resource is provided to manage and continually improve the performance of our accredited ISO 45001 Management System.

Training and mentoring are provided to employees to enable them to improve their skill-sets and reach their full potential. This includes developing employees for managerial roles.

The directors consult with employees and seek feedback on a regular basis to ensure their needs and expectations are met and to encourage any ideas for improvements.

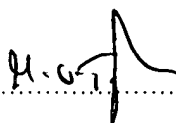
Duty to promote the success of the company – Section 172 statement (continued)

- *the need to foster the company's business relationships with suppliers, customers, and others*
Feedback on our performance is regularly requested from suppliers, customers and others. Such feedback is reviewed and trends analysed to help identify opportunities to improve our performance. Complaints are suitably investigated to establish the root cause and corrective action. Our accredited ISO 9001 Quality Management System, which is fully supported by the directors, ensures we identify and meet the needs and expectations of supplier, customer and other interested parties. It also helps us ensure we provide goods or service that meet or exceed such expectations.
- *the impact of the company's operations on the community and the environment*
We believe our business has a positive impact on the environment. The recycling of metals reduces the need to mine for raw materials. We continue to contribute to group savings of several million tonnes of CO2 emissions every year. Our accredited ISO 14001 EMS (Environmental Management System) helps us further improve our environmental performance. This includes identifying environmental aspects which, if not correctly managed and controlled, could have a negative impact on the environment. Plans are developed to manage such aspects, so we can further increase our positive impact on the environment. The directors give their full support and ensure adequate resource is available to manage the EMS.

The company supports and makes financial donations to charities within the local community.

- *the desirability of the company maintaining a reputation for high standards of business conduct*
The directors ensure suitable policies are implemented and training is provided to employees to ensure company standards are known and maintained by all employees. This includes compliance training which is conducted at regular intervals. The companies ISO 9001, 14001, 45001 accreditations ensure the company maintains a high standard for employees, customers, suppliers and other interested parties, in their Quality, Health, Safety & Environmental performance.
- *the need to act fairly between members of the company*
After weighing up all relevant factors, the directors consider which course of action best enables delivery of our strategy through the long-term, taking into consideration the impact on stakeholders. In doing so, the directors act fairly as between the company's members but are not required to balance the company's interest with those of other stakeholders, and this can mean that certain stakeholders' interests may not be fully aligned.

Signed for and on behalf of the Board by:


.....

M J Tighe
Director

Date: 27/07/2022

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

Directors

The directors of the company, who served during the year, were as follows:

J Bower (resigned 15 January 2021)
 A Dodd (appointed 14 January 2021)
 N Stretton (appointed 14 January 2021)
 M Tighe (appointed 14 January 2021)

Change of Company Name

The company changed its name from ELG Haniel Metals Ltd to ELG Metals UK Limited on 4 January 2022.

Streamlined Energy & 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.

In order to comply with Streamlined Energy & Carbon Reporting scheme, the company has engaged an energy specialist, Brownlow Utilities.

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.

| | | Year ended 31 December 2021 | | | Year ended 31 December 2020 | | |
|--|---------|-----------------------------|-----------|-----------|-----------------------------|-----------|-----------|
| Energy | | Conversion | kWh | KgCO2e | Conversion | kWh | KgCO2e |
| Electricity | | 0.21233 | 1,131,476 | 226,799 | 0.23314 | 1,180,695 | 259,754 |
| Gas | | 0.20297 | 52,251 | 10,605 | 0.20374 | 47,607 | 9,699 |
| Transport | Diesel | 0.25165 | 124,328 | 31,287 | 0.25568 | 1,777,881 | 454,569 |
| | Petrol | 0.24227 | 176,481 | 42,756 | 0.24164 | 158,622 | 38,329 |
| | Gas Oil | 0.27318 | 3,928,920 | 1,073,302 | 0.27310 | 1,112,719 | 303,884 |
| Total Energy Consumption | | | 5,413,456 | 1,384,750 | | 4,277,524 | 1,066,235 |
| Total Sales Tonnage | | | 102,725 | | | 97,479 | |
| Group Intensity Ratio (KgCO2e per Sales Tonnage (t)) | | | 13.48 | | | 10.94 | |

| Key Performance Indicator | Unit | Year ended 31 December 2021 | Year ended 31 December 2020 | Variance |
|--|--------|-----------------------------|-----------------------------|----------|
| Direct (Scope 1) CO2 emissions | KgCO2e | 1,157,951 | 806,481 | 44% |
| Indirect (Scope 2) CO2 emissions | KgCO2e | 226,799 | 259,754 | -13% |
| Emissions from energy exports | KgCO2e | 0 | 0 | |
| Total CO2e (net energy export) | KgCO2e | 0 | 0 | |
| Energy consumption | kWh | 5,413,456 | 4,277,524 | 27% |
| Energy exported | kWh | 0 | 0 | |
| Total KgCO2e emissions | KgCO2e | 1,384,750 | 1,066,235 | 30% |
| Total Sales Tonnage | t | 102,725 | 97,479 | 5% |
| Group Intensity Ratio (KgCO2e per Sales Tonnage (t)) | | 13.48 | 10.94 | 23% |

Streamlined Energy & Carbon Reporting (continued)

Principal measures taken

During the year, the energy efficiency actions taken by the company included fitting new LED lights at the Irvine yard, a continuation of the company's lighting efficiency programme of replacing inefficient lighting in the yards across various sites. Also, all company cars ordered and delivered in the year were either fully electric or hybrid vehicles.

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.

| Conversion Factors* | Unit | Conversion Method |
|------------------------------------|-----------------------------|--------------------------------------|
| Electricity (UK Electricity) (kWh) | KgCO ₂ e | x 0.21233 |
| Gas (Natural Gas) (kWh Net CV) | | x 0.20297 |
| Diesel (avg. biofuel blend) | kWh per KgCO ₂ e | x 0.25165 |
| Diesel (litres) | kWh per litre | x 9.98 (Net CV kWh/litre) |
| Diesel (litres) | kWh | Diesel kWh per litre x Total Litres |
| Petrol (avg. biofuel blend) | kWh per KgCO ₂ e | x 0.24227 |
| Petrol (litres) | kWh per litre | x 9.05 (Net CV kWh/litre) |
| Petrol (litres) | kWh | Petrol kWh per litre x Total Litres |
| Gas Oil | kWh per KgCO ₂ e | x 0.27318 |
| Gas Oil (litres) | kWh per litre | x 10.1 (Net CV kWh/litre) |
| Gas Oil (litres) | kWh | Gas Oil kWh per litre x Total Litres |

*UK GOV Greenhouse gas reporting: conversion factors 2021
<https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2021>

Dividends

No dividends have been paid or declared in the year.

Statement of disclosure of information to auditors

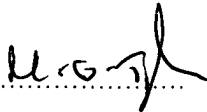
The directors of the company who held office at the date of approval of this Annual Report, as set out above, each confirm that:

- so far as they are 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
- they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

The Auditors, Hawsons Chartered Accountants, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

By Order of the Board:

..... 

M J Tighe
Director

Date: 27/07/2022

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and 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 UK adopted international accounting standards. 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;
- state whether applicable UK adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 the safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Opinion

We have audited the financial statements of ELG Haniel Metals Ltd (the 'company') for the year ended 31 December 2021, which comprise the Income Statement, 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 a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; 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.

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

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 or the Directors' Report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 7, 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:

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 UK adopted international accounting standards, the Companies Act 2006, environmental regulations and Health and Safety regulations. 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.

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;
- Obtaining confirmation from the company's solicitors of matters referred to them;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the valuation of the IAS19 defined benefit pension asset and the discounted cashflows used to assess goodwill impairment;
- 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:

<https://www.frc.org.uk/auditors/audit-assurance/auditor-s-responsibilities-for-the-audit-of-the-fi/description-of-the-auditor-s-responsibilities-for>.

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.



Christopher Hill (Senior Statutory Auditor)
for and on behalf of Hawsons Chartered Accountants,
Statutory Auditor

Date:

28th July 2022

Pegasus House
463a Glossop Road
Sheffield
S10 2QD

Income Statement

for the year ended 31 December 2021

| | Note | 2021 £ | 2020 £ |
|--|------|---------------|--------------|
| Revenue | 2 | 142,157,189 | 98,066,656 |
| Cost of sales | | (132,844,939) | (94,313,237) |
| Gross profit | | 9,312,250 | 3,753,419 |
| Administrative expenses | 24 | (5,057,927) | (6,331,822) |
| Other operating income | | 61,459 | 278,658 |
| Operating profit/(loss) | | 4,315,782 | (2,299,745) |
| Finance costs | 6 | (1,167,322) | (668,261) |
| Profit/(loss) before income tax | | 3,148,460 | (2,968,006) |
| Income tax | 7 | (296,500) | 553,034 |
| Profit/(loss) for the year | 3 | 2,851,960 | (2,414,972) |
| Attributable to: | | | |
| Equity holders of the company | | 2,851,960 | (2,414,972) |

All amounts relate to continuing operations.

The notes on pages 16 to 37 form part of these financial statements

Statement of Comprehensive Income

for the year ended 31 December 2021

| | Note | 2021 £ | 2020 £ |
|--|------|-----------|-------------|
| Profit/(loss) for the year | | 2,851,960 | (2,414,972) |
| Other comprehensive income: | | | |
| Items that will not be reclassified to profit or loss | | | |
| Remeasurement of post-employment benefit obligations | | 1,465,500 | (3,329,910) |
| Other comprehensive income for the year, net of tax | 7 | 1,465,500 | (3,329,910) |
| Total comprehensive income for the year | | 4,317,460 | (5,744,882) |
| Attributable to: | | | |
| Equity holders of the company | | 4,317,460 | (5,744,882) |

Items in the statement above are disclosed net of tax. The income tax relating to each component of other comprehensive income is disclosed in note 7.

The notes on pages 16 to 37 form part of these financial statements

Balance Sheet

as at 31 December 2021

| | Note | 2021 £ | 2020 £ |
|-------------------------------------|------|-------------------|-------------------|
| Non-current assets | | | |
| Intangible assets | 8 | 11,787,607 | 11,790,265 |
| Property, plant and equipment | 9 | 8,513,426 | 9,115,997 |
| Right-of-use assets | 10 | 435,886 | 433,109 |
| Investments | 11 | - | 2 |
| Deferred income tax asset | 17 | 865,000 | 1,650,000 |
| Retirement benefit asset | 22 | 3,196,000 | 631,000 |
| | | <u>24,797,919</u> | <u>23,620,373</u> |
| Current assets | | | |
| Inventories | 12 | 26,310,665 | 12,851,317 |
| Trade and other receivables | 13 | 17,121,387 | 15,843,249 |
| Derivative financial instruments | 26 | 84,030 | 411,942 |
| Cash and cash equivalents | 14 | 4,455 | 3,213 |
| | | <u>43,520,537</u> | <u>29,109,721</u> |
| Total assets | | <u>68,318,456</u> | <u>52,730,094</u> |
| Equity | | | |
| Share capital | 18 | 5,100,000 | 5,100,000 |
| Retained earnings | 19 | 10,687,050 | 6,369,590 |
| Total equity | | <u>15,787,050</u> | <u>11,469,590</u> |
| Current liabilities | | | |
| Trade and other payables | 16 | 46,463,247 | 37,585,918 |
| Lease liabilities | 21 | 222,911 | 187,853 |
| Bank overdraft | 14 | 4,635,368 | 2,894,157 |
| Derivative financial instruments | 26 | 997,393 | 347,354 |
| | | <u>52,318,919</u> | <u>41,015,282</u> |
| Non-current liabilities | | | |
| Lease liabilities | 21 | 212,487 | 245,222 |
| Total liabilities | | <u>52,531,406</u> | <u>41,260,504</u> |
| Total equity and liabilities | | <u>68,318,456</u> | <u>52,730,094</u> |

The financial statements were approved and authorised for issue by the board of directors on 27/07/2022 and were signed on its behalf by:


M J Tighe
Director

The notes on pages 16 to 37 form part of these financial statements

ELG Metals UK Limited
Statement of Changes in Equity
as at 31 December 2021

Attributable to equity holders of the company

| | Share Capital £ | Retained Earnings £ | Total £ |
|---|--------------------------------|------------------------------------|--------------------|
| At 1 January 2020 | 5,100,000 | 12,114,472 | 17,214,472 |
| (Loss) for the year | - | (2,414,972) | (2,414,972) |
| Other comprehensive income for the year | - | (3,329,910) | (3,329,910) |
| Total comprehensive income for the year | - | (5,744,882) | (5,744,882) |
| At 31 December 2020 | 5,100,000 | 6,369,590 | 11,469,590 |
| Profit for the year | - | 2,851,960 | 2,851,960 |
| Other comprehensive income for the year | - | 1,465,500 | 1,465,500 |
| Total comprehensive income for the year | - | 4,317,460 | 4,317,460 |
| At 31 December 2021 | 5,100,000 | 10,687,050 | 15,787,050 |

The notes on pages 16 to 37 form part of these financial statements

Statement of Cash Flows

for the year ended 31 December 2021

| | Note | 2021 £ | 2020 £ |
|---|------|---------------------------|---------------------------|
| Net cash (used in)/generated from operating activities | 20 | <u>(1,282,982)</u> | <u>73,000</u> |
| Cash flows from investing activities | | | |
| Proceeds from sale of property, plant and equipment | | 53,129 | 244,354 |
| Purchases of property, plant and equipment | | <u>(280,586)</u> | <u>(979,974)</u> |
| Net cash (used in)/generated from investing activities | | <u>(227,457)</u> | <u>(735,620)</u> |
| Cash flows from financing activities | | | |
| Lease payments | | <u>(229,530)</u> | <u>(264,004)</u> |
| Net cash (used in)/generated from financing activities | | <u>(229,530)</u> | <u>(264,004)</u> |
| Net (decrease)/increase in cash and cash equivalents | | (1,739,969) | (926,624) |
| Cash and cash equivalents at 1 January 2021 | 14 | <u>(2,890,944)</u> | <u>(1,964,320)</u> |
| Cash and cash equivalents at 31 December 2021 | 14 | <u><u>(4,630,913)</u></u> | <u><u>(2,890,944)</u></u> |

The notes on pages 16 to 37 form part of these financial statements

1. Significant Accounting Policies***Basis of Accounting***

The financial statements have been prepared in accordance with UK adopted international accounting standards and the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value.

Going Concern

After due consideration of all relevant factors, including 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.

Revenue Recognition

Revenue represents amounts receivable for goods supplied and services provided in the normal course of business, excluding VAT and trade discounts.

Sales of goods are recognised when control of the goods has passed to the customer. In the case of UK sales, this is when goods are delivered to the customer. In the case of overseas sales, this is when the shipping documents are passed to the customer.

Intangible Assets***(a) Goodwill***

Goodwill is the difference between the fair value of consideration paid for the trade and assets of a business and the aggregate of the fair value of those assets.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Goodwill is allocated to cash generating units for the purpose of impairment testing.

(b) Software

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over an average estimated useful life of three years. Any amortisation charge is included within administrative expenses.

1. Significant Accounting Policies – cont'd.***Property, Plant and Equipment***

Property, plant and equipment is stated at cost, less accumulated depreciation and any recognised impairment loss.

Where an impairment loss subsequently reverses, the carrying amount of the cash generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised immediately in the income statement.

The cost of property, plant and equipment is purchase cost, together with any incidental expenses of acquisition.

Depreciation is calculated to write down the cost, less estimated residual values, of all tangible fixed assets, other than freehold land, over their estimated economic lives. The rates generally applicable are:

| | |
|-----------------------|-------------------------|
| Freehold buildings | 4% straight line |
| Plant and equipment | 12.5% straight line |
| Motor vehicles | 20% straight line |
| Fixtures and fittings | 10%/33.3% straight line |

Foreign Currencies

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

- Assets and liabilities denominated in foreign currencies are translated at year end exchange rates. These differences on exchange are dealt with through the income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of scrap is determined by average cost and a review is undertaken periodically to ensure average cost approximates to actual cost. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when the company becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Trade receivables are derecognised when the company transfers the receivable, and substantially all the risks and rewards of ownership of the receivable, to a third party under debt factoring arrangements.

1. Significant Accounting Policies – cont'd.***Bank borrowings***

Interest-bearing bank overdrafts and debt factoring agreements are recorded at the proceeds received. Finance and factoring charges are taken to the income statement, analysed between interest and charges, in the period that they are incurred.

Trade payables

Trade payables are non-interest-bearing and are stated at their nominal value.

Employee benefits

The company operates a defined benefit pension scheme for the benefit of certain employees, the assets of which are held separately from those of the company in independently administered funds. The scheme is funded by contributions from the company at rates determined by an independent actuary.

The asset or liability recognised in the balance sheet in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past service costs are recognised immediately in income.

The company also operates defined contribution pension arrangements for staff. The costs relating to these are charged to the income statement as they fall due.

The company provides no other post-retirement benefits to its employees.

Taxation

Current tax is the expected tax payable on the taxable profit for the year, using tax rates enacted or substantially enacted at the balance sheet date. 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.

Deferred tax is provided using the balance sheet liability method to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes. The company has not adopted a policy of discounting deferred tax assets and liabilities.

1. Significant Accounting Policies – cont'd.***Derivatives***

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.

Leases

Leases are accounted for in accordance with IFRS 16. All leases are accounted for by recognising a right-of-use asset and a lease liability, except for leases of low value assets and leases with a duration of twelve months or less, which are accounted for by recognising the lease payments as an expense on a straight-line basis.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless this is not readily determinable, in which case the incremental borrowing rate on commencement of the lease is used.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for lease payments made at or before commencement of the lease, any initial direct costs incurred and the amount of any provision recognised where the company is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are depreciated on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if this is judged to be shorter than the lease term.

Judgements and key assumptions

The preparation of financial statements in conformity with UK adopted international accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are the annual review of goodwill impairment and the accounting for the defined benefit pension obligation.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Impact of Standards and Interpretations in issue but not yet effective and not early adopted by the company

The company has not adopted early any new standards, amendments to existing standards or interpretations that have been issued but are not yet effective.

A review of the impact of new standards, amendments to existing standards and interpretations in issue but not yet effective is ongoing. At this stage, the directors do not expect that the adoption of standards or interpretations that are not yet effective will have a material impact on the financial statements of the company in future periods.

2. Revenue

The revenue and profit or loss before tax is wholly attributable to the principal activities of the company.

Revenue relates wholly to the sale of goods.

The geographical analysis of revenue is as follows:

| | 2021 £ | 2020 £ |
|-------------------|--------------------|-------------------|
| United Kingdom | 110,047,606 | 39,221,354 |
| Rest of Europe | 23,184,973 | 43,917,342 |
| Rest of the World | 8,924,610 | 14,927,960 |
| | <u>142,157,189</u> | <u>98,066,656</u> |

3. Profit/(loss) for the year

| | 2021 £ | 2020 £ |
|---|--------------------|-------------------|
| Profit/(loss) for the year has been arrived at after charging / (crediting): | | |
| Depreciation of property, plant and equipment | 883,153 | 918,859 |
| Depreciation of right-of-use assets | 217,991 | 250,875 |
| (Gain)/loss on disposal of property, plant and equipment | (53,125) | (230,949) |
| Amortisation of other intangible assets included in administrative expenses | 2,658 | 5,919 |
| Fair value loss/(gain) on derivatives | 977,951 | 1,274,802 |
| Foreign exchange loss/(gain) | 533,777 | (378,028) |
| Staff costs (note 5) | 4,014,096 | 5,594,507 |
| Write down of inventories recognised as an expense | - | 59,010 |
| Grants and similar funding | 61,459 | 278,658 |
| Cost of inventories recognised as an expense | <u>127,190,297</u> | <u>87,540,012</u> |

4. Auditors' remuneration

During the year, the company obtained the following services from the company's auditor:

| | 2021 £ | 2020 £ |
|--|---------------|---------------|
| Fees payable to the auditor for the audit of the company's annual accounts | 42,000 | 44,500 |
| Fees payable to the auditor for other services: | | |
| - Audit-related assurance services | 34,650 | - |
| - Taxation compliance services | 9,750 | 9,500 |
| - All other non-audit services | 8,500 | 18,500 |
| | <u>94,900</u> | <u>72,500</u> |

Fees in respect of the ELG Haniel Metals Ltd Pension and Assurance Scheme:

| | | |
|-------|---------------|--------------|
| Audit | <u>11,250</u> | <u>8,750</u> |
|-------|---------------|--------------|

Notes to the Financial Statements

for the year ended 31 December 2021

5. Staff costs

| | 2021 £ | 2020 £ |
|--|------------------|------------------|
| Staff costs during the year were as follows: | | |
| Wages and salaries (note 24) | 3,172,358 | 4,611,912 |
| Social security costs | 306,928 | 379,204 |
| Pension costs – defined benefit plans (note 22) | (11,000) | (80,000) |
| Pension costs – defined contribution plans (note 22) | 500,603 | 634,937 |
| Other post-employment benefits | 45,207 | 48,454 |
| | <u>4,014,096</u> | <u>5,594,507</u> |

| | 2021 Number | 2020 Number |
|---|----------------|----------------|
| The average monthly number of employees, including directors, during the year was as follows: | | |
| Production | 52 | 63 |
| Selling and distribution | 32 | 34 |
| | <u>84</u> | <u>97</u> |

6. Finance costs

| | 2021 £ | 2020 £ |
|-------------------------------------|------------------|----------------|
| Interest on group loans | 1,110,200 | 665,323 |
| Bank interest and factoring charges | 46,036 | (11,229) |
| Interest on lease liabilities | 11,086 | 14,167 |
| Total finance costs | <u>1,167,322</u> | <u>668,261</u> |

Notes to the Financial Statements

for the year ended 31 December 2021

| 7. Income tax | 2021 £ | 2020 £ |
|--|-------------------|--------------------|
| Current tax | | |
| Group relief credit | - | (149,124) |
| Deferred tax | | |
| Origination and reversal of timing differences | 296,500 | (403,910) |
| Total income tax expense/(credit) | <u>296,500</u> | <u>(553,034)</u> |
| Reconciliation of tax expense/(credit) | 2021 £ | 2020 £ |
| Profit/(loss) before tax | <u>3,148,460</u> | <u>(2,968,006)</u> |
| Tax at the effective UK corporation tax rate of 19% (2020 - 19%) | 598,207 | (563,921) |
| <i>Effects of:</i> | | |
| Expenses not deductible for tax purposes | 20,910 | 8,676 |
| Change in rate at which deferred tax is calculated | (325,084) | - |
| Other differences | 2,467 | 2,211 |
| Tax expense/(credit) | <u>296,500</u> | <u>(553,034)</u> |

The tax (charge)/credit relating to components of other comprehensive income is as follows:

| | Before tax £ | Deferred tax (charge)/ credit £ | After tax £ |
|--|--------------------|--|--------------------|
| 2021 | | | |
| Remeasurement of post-employment benefit liabilities | <u>1,954,000</u> | <u>(488,500)</u> | <u>1,465,500</u> |
| 2020 | | | |
| Remeasurement of post-employment benefit liabilities | <u>(4,111,000)</u> | <u>781,090</u> | <u>(3,329,910)</u> |

Notes to the Financial Statements

for the year ended 31 December 2021

8. Intangible assets

| | Goodwill £ | Software £ | Total £ |
|------------------------------------|---------------|---------------|------------|
| Cost | | | |
| At 1 January 2020 | 11,896,850 | 145,516 | 12,042,366 |
| Additions | - | 533 | 533 |
| At 1 January 2021 | 11,896,850 | 146,049 | 12,042,899 |
| Additions | - | - | - |
| At 31 December 2021 | 11,896,850 | 146,049 | 12,042,899 |
| Amortisation and impairment | | | |
| At 1 January 2020 | 110,000 | 136,715 | 246,715 |
| Charge for the year | - | 5,919 | 5,919 |
| At 1 January 2021 | 110,000 | 142,634 | 252,634 |
| Charge for the year | - | 2,658 | 2,658 |
| At 31 December 2021 | 110,000 | 145,292 | 255,292 |
| Carrying amounts | | | |
| At 31 December 2021 | 11,786,850 | 757 | 11,787,607 |
| At 31 December 2020 | 11,786,850 | 3,415 | 11,790,265 |

Impairment tests for Goodwill

Goodwill is allocated to the company's cash-generating units (CGUs) as follows:

| | 2021 £ | 2020 £ |
|-------|------------|------------|
| Yards | 11,786,850 | 11,786,850 |

The recoverable amount of a CGU is determined based upon value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below.

The key assumptions used for value-in-use calculations are as follows:

| | |
|---------------|-------|
| Gross margin | 8.9% |
| Growth rate | 2.8% |
| Discount rate | 4.64% |

Management determined budgeted gross margin based on past performance and its expectations of market development. The weighted average growth rates are consistent with forecasts. The discount rates used are pre-tax and reflect specific risks relating to the CGU.

ELG Metals UK Limited
Notes to the Financial Statements
for the year ended 31 December 2021

9. Property, Plant and Equipment

| | Freehold land and buildings £ | Plant and machinery £ | Vehicles and equipment £ | Total £ |
|---------------------------------|--|-----------------------------|-----------------------------------|-------------|
| Cost | | | | |
| At 1 January 2020 | 10,019,908 | 9,498,358 | 1,557,983 | 21,076,249 |
| Additions | 53,369 | 913,957 | 12,115 | 979,441 |
| Disposals | - | (793,854) | (225,078) | (1,018,932) |
| At 1 January 2021 | 10,073,277 | 9,618,461 | 1,345,020 | 21,036,758 |
| Additions | 57,252 | 211,754 | 11,580 | 280,586 |
| Disposals | - | (3,915) | (139,019) | (142,934) |
| At 31 December 2021 | 10,130,529 | 9,826,300 | 1,217,581 | 21,174,410 |
| Accumulated Depreciation | | | | |
| At 1 January 2020 | 3,751,681 | 7,117,648 | 1,138,094 | 12,007,423 |
| Charge for the year | 325,443 | 449,396 | 144,020 | 918,859 |
| Eliminated on disposal | - | (793,832) | (211,689) | (1,005,521) |
| At 1 January 2021 | 4,077,124 | 6,773,212 | 1,070,425 | 11,920,761 |
| Charge for the year | 308,799 | 456,853 | 117,501 | 883,153 |
| Eliminated on disposal | - | (3,913) | (139,017) | (142,930) |
| At 31 December 2021 | 4,385,923 | 7,226,152 | 1,048,909 | 12,660,984 |
| Carrying amounts | | | | |
| At 31 December 2021 | 5,744,606 | 2,600,148 | 168,672 | 8,513,426 |
| At 31 December 2020 | 5,996,153 | 2,845,249 | 274,595 | 9,115,997 |

10. Right-of-use assets

| | Land and buildings £ | Plant and machinery £ | Motor vehicles £ | Total £ |
|---------------------------------|----------------------------|-----------------------------|------------------------|------------|
| Cost | | | | |
| At 1 January 2020 | 207,180 | 647,612 | 200,770 | 1,055,562 |
| Additions | - | 36,722 | 34,750 | 71,472 |
| Disposals | (207,180) | (99,087) | (53,326) | (359,593) |
| At 1 January 2021 | - | 585,247 | 182,194 | 767,441 |
| Additions | - | 135,242 | 85,526 | 220,768 |
| Disposals | - | - | (92,834) | (92,834) |
| At 31 December 2021 | - | 720,489 | 174,886 | 895,375 |
| Accumulated Depreciation | | | | |
| At 1 January 2020 | 24,045 | 172,134 | 81,918 | 278,097 |
| Charge for the year | 18,182 | 163,624 | 69,069 | 250,875 |
| Disposals | (42,227) | (99,087) | (53,326) | (194,640) |
| At 1 January 2021 | - | 236,671 | 97,661 | 334,332 |
| Charge for the year | - | 146,479 | 71,512 | 217,991 |
| Disposals | - | - | (92,834) | (92,834) |
| At 31 December 2021 | - | 383,150 | 76,339 | 459,489 |
| Carrying amounts | | | | |
| At 31 December 2021 | - | 337,339 | 98,547 | 435,886 |
| At 31 December 2020 | - | 348,576 | 84,533 | 433,109 |

11. Investments

Shares in group
undertakings
£**Cost and net book value**

At 1 January 2021

2

Disposals

(2)

At 31 December 2021

-

The subsidiary undertakings, Shearer Mormet Limited and Consolidated Stainless Recycling Limited, both of which were companies incorporated in England and Wales and which have been dormant since incorporation, were dissolved on 9 November 2021.

12. Inventories

2021
£2020
£

Raw materials

26,310,665

12,851,317

13. Trade and other receivables

2021
£2020
£

Trade receivables

10,899,786

13,911,420

Other receivables

167,510

1,487,212

Amounts due from group undertakings

5,852,862

314,879

Prepayments and accrued income

201,229

129,738

17,121,387

15,843,249

The company has a factoring agreement with SEB AG with regard to certain customers. Under the agreement, the bank may purchase a specific receivable due from these customers, subject to facility limits. The bank assumes 100% of the risk that receivables it purchases are uncollectable. During the year, interest has been charged at a rate of 2.50% over LIBOR. Receivables purchased by the bank under this agreement are derecognised.

The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

| 14. Cash and cash equivalents | 2021 £ | 2020 £ |
|--|--------------------|--------------------|
| Cash in hand | 4,455 | 3,213 |
| Bank overdrafts | (4,635,368) | (2,894,157) |
| Cash and cash equivalents in the statement of cash flows | <u>(4,630,913)</u> | <u>(2,890,944)</u> |

The bank overdraft is unsecured and repayable on demand. The bank overdraft interest is at a floating rate thus exposing the company to cash flow interest rate risk.

The fair value of the company's borrowings is not considered to be materially different from the carrying amounts.

15. Credit risk

The company's principal financial assets are bank balances and cash, and trade and other receivables which represent the company's maximum exposure to credit risk in relation to financial assets.

The company's credit risk is primarily attributable to its trade receivables. The amounts presented on the balance sheet are net of allowances for doubtful receivables, estimated by the company's management, based upon prior experience and their assessment of the current economic environment. Credit risk in respect of trade receivables is minimised by the company fully insuring its trade receivables. Expected credit losses are therefore immaterial.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit rating agencies.

The company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

| 16. Trade and other payables | 2021 £ | 2020 £ |
|-----------------------------------|-------------------|-------------------|
| Trade payables | 7,762,963 | 5,570,740 |
| Amounts due to group undertakings | 37,713,132 | 30,723,556 |
| Other tax and social security | 132,436 | 134,184 |
| Other creditors | 65,785 | 76,856 |
| Accrued expenses | 788,931 | 1,080,582 |
| | <u>46,463,247</u> | <u>37,585,918</u> |

The directors consider that the carrying amount of trade and other payables approximates to their fair value.

17. Deferred income tax

The following are the deferred tax assets/(liabilities) recognised by the company and movements thereon during the current and prior year:

| | Accelerated capital allowances £ | Retirement benefit obligation £ | Losses £ | Total £ |
|--|---|--|-------------|------------|
| At 1 January 2020 | 530,000 | (770,000) | 705,000 | 465,000 |
| Credit/(charge) to income statement | (20,000) | (131,090) | 555,000 | 403,910 |
| Credit/(charge) to other comprehensive income | - | 781,090 | - | 781,090 |
| At 1 January 2021 | 510,000 | (120,000) | 1,260,000 | 1,650,000 |
| Credit/(charge) to income statement | (25,000) | (191,500) | (80,000) | (296,500) |
| Credit/(charge) to other comprehensive income | - | (488,500) | - | (488,500) |
| At 31 December 2021 | 485,000 | (800,000) | 1,180,000 | 865,000 |

The following is the analysis of the deferred tax balances for financial reporting purposes:

| | 2021 £ | 2020 £ |
|---------------------|-----------|-----------|
| Deferred tax assets | 865,000 | 1,650,000 |

At the balance sheet date, the company has unused tax losses of £4,720,863 (2020 - £6,597,053) available for offset against future profits. A deferred tax asset has been recognised in respect of such losses on the basis of future profits being forecast by the company.

| 18. Share capital | 2021 £ | 2020 £ |
|---|------------------|------------------|
| Allotted, called up and fully paid | | |
| 4,800,000 'A' ordinary shares of £1 each | 4,800,000 | 4,800,000 |
| 300,000 'B' ordinary shares of £1 each | 300,000 | 300,000 |
| | <u>5,100,000</u> | <u>5,100,000</u> |

The 'A' ordinary shares and the 'B' ordinary shares rank pari passu in all respects.

19. Retained earnings

Included within retained earnings is an amount of £11,786,850 (2020 - £11,786,850) that represents unrealised profits.

| 20. Note to the statement of cash flows | 2021 £ | 2020 £ |
|---|--------------------|--------------------|
| Profit/(loss) for the year | 2,851,960 | (2,414,972) |
| <i>Adjustments for:</i> | | |
| Finance costs | 1,167,322 | 668,261 |
| Income tax expense/(credit) | 296,500 | (553,034) |
| Fair value loss/(gain) on derivatives | 977,951 | 1,274,802 |
| Depreciation of property, plant and equipment | 883,153 | 918,859 |
| Depreciation of right-of-use assets | 217,991 | 250,875 |
| (Gain)/loss on disposal of property, plant and equipment | (53,125) | (230,949) |
| Amortisation of other intangible assets | 2,658 | 5,919 |
| Adjustment for pension funding | (611,000) | (680,000) |
| Operating cash flows before movements in working capital | <u>5,733,410</u> | <u>(760,239)</u> |
| Decrease in inventories | (13,459,348) | 9,756,746 |
| (Increase) in receivables | (1,427,262) | (3,466,633) |
| Increase/(decrease) in payables | <u>8,895,191</u> | <u>(5,027,423)</u> |
| Cash (used in)/generated from operations | (258,009) | 502,451 |
| Receipt for group relief losses | 149,124 | 219,506 |
| Interest paid | (1,174,097) | (648,957) |
| Net cash (used in)/generated from operating activities | <u>(1,282,982)</u> | <u>73,000</u> |

21. Lease Arrangements

The company leases certain items of plant, equipment and vehicles.

Disclosure of the additions to right-of-use assets, the depreciation charge for right-of-use assets and the carrying amount of right-of-use assets at the balance sheet date by class of underlying asset is made in note 10.

The interest expense on lease liabilities is disclosed in note 6.

The total cash outflow for leases is disclosed in the Statement of Cash Flows on page 15.

| <i>Maturity analysis for lease liabilities</i> | 2021 | 2020 |
|--|----------------|----------------|
| | £ | £ |
| Due within one year | 222,911 | 187,853 |
| Due after one year and within five years | 212,487 | 245,222 |
| | <u>435,398</u> | <u>433,075</u> |

22. Retirement Benefit Schemes**Defined Benefit Scheme**

The company is a party to the ELG Haniel Metals Ltd Pension & Assurance Scheme ("the scheme"). This is a defined benefit scheme providing benefits based on final pay and service at retirement. The scheme is operated under trust and its assets are invested independently of the company. As at 31 December 2021, the scheme is closed to future accrual and to new members.

The most recent actuarial valuation of plan assets and the present value of the defined benefit obligation were carried out by S. Young, Fellow of the Institute of Actuaries, at 31 December 2021.

22. Retirement Benefit Schemes - cont'd

The amounts recognised in income in respect of the defined benefit scheme are as follows:

| | 2021 £ | 2020 £ |
|--|------------------|-----------------|
| Net interest income | (11,000) | (90,000) |
| Past service cost | - | 10,000 |
| Components of defined benefit cost recognised in profit or loss within administrative expenses | <u>(11,000)</u> | <u>(80,000)</u> |

The amounts recognised in other comprehensive income in respect of the defined benefit scheme are as follows:

| | 2021 £ | 2020 £ |
|--|------------------|--------------------|
| The return on plan assets (excluding interest income) | (643,000) | 4,947,000 |
| Actuarial gains/(losses) from changes in demographic assumptions | 95,000 | (1,240,000) |
| Actuarial gains/(losses) from changes in financial assumptions | 2,502,000 | (7,210,000) |
| Actuarial gains/(losses) from experience adjustments | - | (608,000) |
| Remeasurement of the net defined benefit asset | <u>1,954,000</u> | <u>(4,111,000)</u> |

The amount recognised in the balance sheet in respect of the defined benefit scheme is as follows:

| | 2021 £ | 2020 £ |
|--|------------------|----------------|
| Present value of defined benefit obligations | (43,654,000) | (47,011,000) |
| Fair value of scheme assets | 46,850,000 | 47,642,000 |
| Asset on the balance sheet | <u>3,196,000</u> | <u>631,000</u> |

The movement during the year in the net defined benefit asset was as follows:

| | 2021 £ | 2020 £ |
|------------------------|------------------|----------------|
| At start of year | 631,000 | 4,062,000 |
| Net interest income | 11,000 | 90,000 |
| Past service cost | - | (10,000) |
| Remeasurements | 1,954,000 | (4,111,000) |
| Employer contributions | 600,000 | 600,000 |
| At end of year | <u>3,196,000</u> | <u>631,000</u> |

22. Retirement Benefit Schemes – cont'd

Movements in the present value of the defined benefit obligation in the current year were as follows:

| | 2021 £ | 2020 £ |
|--|---------------------|---------------------|
| At start of year | (47,011,000) | (40,951,000) |
| Interest expense | (556,000) | (781,000) |
| Past service cost | - | (10,000) |
| Benefits paid | 1,316,000 | 3,789,000 |
| Gain/(loss) from experience adjustment | - | (608,000) |
| Gain/(loss) from change in demographic assumptions | 95,000 | (1,240,000) |
| Gain/(loss) from change in financial assumptions | 2,502,000 | (7,210,000) |
| At end of year | <u>(43,654,000)</u> | <u>(47,011,000)</u> |

Movements in the fair value of scheme assets in the current year were as follows:

| | 2021 £ | 2020 £ |
|---|-------------------|-------------------|
| At start of year | 47,642,000 | 45,013,000 |
| Interest income on plan assets | 567,000 | 871,000 |
| The return on plan assets (excluding interest income) | (643,000) | 4,947,000 |
| Benefits paid | (1,316,000) | (3,789,000) |
| Total contributions | 600,000 | 600,000 |
| At end of year | <u>46,850,000</u> | <u>47,642,000</u> |

The significant actuarial assumptions were as follows:

| | 2021 | 2020 |
|--------------------------------|-----------|-------------|
| Discount rate | 1.75% | 1.2% |
| Inflation (RPI/CPI) | 3.4%/2.7% | 2.95%/2.15% |
| Salary growth rate | 2.7% | 2.15% |
| Pension growth rate (max 5%) | 3.25% | 2.85% |
| Pension growth rate (max 2.5%) | 2.1% | 2.0% |

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in the UK. These assumptions translate into an average life expectancy in years for a pensioner retiring now at age 65 of:

| | 2021 | 2020 |
|--------|------------|------------|
| Male | 22.7 years | 22.7 years |
| Female | 25.2 years | 25.1 years |

22. Retirement Benefit Schemes – cont'd

The sensitivity of the defined benefit obligation to changes in the principal assumptions is:

| | Impact on defined benefit obligation | | |
|-----------------|--------------------------------------|---------------------------------|---------------------------------|
| | Change in assumption | Increase in assumption | Decrease in assumption |
| Discount rate | 0.5% | Decrease by 8.1% | Increase by 9.3% |
| Inflation rate | 0.5% | Increase by 3.0% | Decrease by 3.0% |
| | | Increase assumption by one year | Decrease assumption by one year |
| Life expectancy | | Increase by 4.3% | Decrease by 4.2% |

The above sensitivity analyses are based on a change in one assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension asset recognised within the balance sheet.

The assets in the scheme comprised:

| | 2021 £ | 2020 £ |
|---------------------|-------------------|-------------------|
| Equities | 4,890,000 | 6,074,000 |
| Bonds | 34,219,000 | 33,485,000 |
| Property | 811,000 | 778,000 |
| Cash | 411,000 | 1,797,000 |
| Investment funds | 5,401,000 | 4,304,000 |
| Purchased annuities | 1,118,000 | 1,204,000 |
| | <u>46,850,000</u> | <u>47,642,000</u> |

The average term of the defined benefit obligation is 20 years.

Expected contributions to the scheme for the year ending 31 December 2022 are £600,000.

The actual return on plan assets during the year was negative £76,000.

Defined contribution scheme

The company also operates defined contribution pension schemes for all eligible staff. The pension cost for the defined contribution schemes, which represents contributions payable by the company in the year, amounted to £500,603 (2020 - £634,937).

23. Related Party Transactions**Parent undertaking**

The immediate parent undertaking is ELG GmbH, a company incorporated in Germany. The company's ultimate parent undertaking is Aperam S.A., a company incorporated in Luxembourg.

The largest and smallest group in which the results of the company are consolidated is that headed by Aperam S.A.

The consolidated accounts of Aperam S.A. are available to the public and can be obtained from Aperam Investor Relations, 12C, rue Guillaume Kroll, L-1882 Luxembourg, Grand Duchy of Luxembourg or alternatively from the website at www.aperam.com.

Transactions with related parties

During the year, the company entered into the following transactions with related parties:

| | | |
|---|--------------|--------------|
| Sales of goods to related parties: | 2021 | 2020 |
| | £ | £ |
| Fellow subsidiaries | 2,283,078 | 1,068,321 |
| Purchase of goods from related parties: | 2021 | 2020 |
| | £ | £ |
| Fellow subsidiaries | 6,325,905 | 2,366,853 |
| Amounts receivable from related parties: | 2021 | 2020 |
| | £ | £ |
| Fellow subsidiaries | 5,852,862 | 314,879 |
| Amounts payable to related parties: | 2021 | 2020 |
| | £ | £ |
| Parent undertaking | 98,711 | 51,870 |
| Fellow subsidiaries | 3,480 | 251,252 |
| | 102,191 | 303,122 |
| Loans from parent company: | 2021 | 2020 |
| | £ | £ |
| Due to parent company at start of year | 30,420,434 | 33,918,964 |
| Further loans received in year | 85,656,248 | 22,000,000 |
| Loans repaid in year | (78,750,003) | (25,214,400) |
| Exchange adjustments | 284,262 | (284,130) |
| | 37,610,941 | 30,420,434 |

Loans from group undertakings are repayable on demand. Interest is charged on outstanding loans at an average rate of 2.8% (2020 – 2.0%) per annum. No provision has been made for doubtful debts in respect of the amounts owed by related parties.

23. Related Party Transactions – cont'd**Remuneration of key management personnel**

The remuneration of the directors, who are the key management personnel of the company, is set out below in aggregate for each of the categories specified in IAS 24 "Related Party Disclosures".

| | 2021 | 2020 |
|---------------------------------|----------------|------------------|
| | £ | £ |
| Short-term employee benefits | 291,542 | 410,693 |
| Post-employment benefits | 37,340 | 89,058 |
| Compensation for loss of office | - | 850,217 |
| | <u>328,882</u> | <u>1,349,968</u> |

The disclosure of directors' remuneration in accordance with the Companies Act 2006 is as follows:

| | 2021 | 2020 |
|---|----------------|------------------|
| | £ | £ |
| Emoluments (including benefits in kind) | 260,567 | 366,418 |
| Contributions to money purchase pension schemes | 37,340 | 89,058 |
| Compensation for loss of office | - | 850,217 |
| | <u>297,907</u> | <u>1,305,693</u> |

Other director disclosures in respect of qualifying services:

| | 2021 | 2020 |
|--|---------------|---------------|
| | Number | Number |
| The number of directors to whom retirement benefits are accruing under money purchase pension schemes | 3 | 3 |
| The number of directors to whom retirement benefits are accruing under defined benefit pension schemes | <u>3</u> | <u>3</u> |

Highest paid director

| | 2021 | 2020 |
|--|----------------|----------------|
| | £ | £ |
| Aggregate emoluments | 103,993 | 157,800 |
| Aggregate value of company contributions to money purchase schemes | 7,200 | 34,891 |
| | <u>111,193</u> | <u>192,691</u> |

24. Exceptional item

Included within staff costs and administrative expenses is an amount of £nil (2020 - £1,050,427) relating to severance payments and compensation for loss of office paid to certain directors and members of senior management.

25. Financial instruments

The company's financial instruments are categorised as follows:

Financial assets***Measured at fair value through profit or loss - mandatorily***

| | 2021 | 2020 |
|-----------------------|--------|---------|
| | £ | £ |
| Derivatives (note 26) | 84,030 | 411,942 |

Measured at amortised cost

| | 2021 | 2020 |
|---|-------------------|-------------------|
| | £ | £ |
| Cash and cash equivalents (note 14) | 4,455 | 3,213 |
| Trade and other receivables (note 13) | 11,067,296 | 15,398,632 |
| Amounts due from group undertakings (note 13) | 5,852,862 | 314,879 |
| | <u>16,924,613</u> | <u>15,716,724</u> |

Financial liabilities***Measured at fair value through profit or loss – held for trading***

| | 2021 | 2020 |
|-----------------------|---------|---------|
| | £ | £ |
| Derivatives (note 26) | 997,393 | 347,354 |

Measured at amortised cost

| | 2021 | 2020 |
|---|-------------------|-------------------|
| | £ | £ |
| Bank overdraft (note 14) | 4,635,368 | 2,894,157 |
| Trade and other payables (note 16) | 7,961,184 | 5,781,780 |
| Amounts due to group undertakings (note 16) | 37,713,132 | 30,723,556 |
| | <u>50,309,684</u> | <u>39,399,493</u> |

Fair value measurements for derivatives, which are the only financial assets and financial liabilities measured at fair value through profit or loss, are categorised in their entirety within Level 1 of the IFRS 13 fair value hierarchy.

26. Derivative financial instruments

| | Assets | 2021 | Assets | 2020 |
|------------------------------------|---------------|--------------------|----------------|--------------------|
| | £ | Liabilities | £ | Liabilities |
| | | £ | | £ |
| Forward foreign exchange contracts | 84,030 | 91,119 | 188,180 | 31,495 |
| Forward commodity contracts | - | 906,274 | 223,762 | 315,859 |
| | <u>84,030</u> | <u>997,393</u> | <u>411,942</u> | <u>347,354</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. The instruments purchased are primarily denominated in the currencies of the company's principal markets.

Commodity derivatives

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