

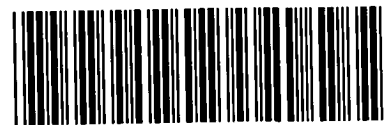
Registered Number 02997333

Danieli UK Holding Limited

Annual Report

For the year ended 30 June 2021

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Danieli UK Holding Limited
Annual Report
for the year ended 30 June 2021
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Danieli UK Holding Limited

Directors and Advisers

Directors

A P Betts
E Giorgiutti
R Paelone

Company Secretary

P J Jordan

Registered office

4 Ignite
Magna Way
Rotherham
S60 1FD

Independent auditors

Hart Shaw LLP
Europa Link
Sheffield Business Park
Sheffield
S9 1XU

Solicitors

Progeny
1A Tower Square
Leeds
LS1 4DL

Bankers

Barclays Bank plc
Sheffield Branch
2 Arena Square
Sheffield
S9 2LF

Danieli UK Holding Limited

Directors' Report

for the year ended 30 June 2021

The directors present their report and the audited financial statements of the Company for the year ended 30 June 2021.

Principal activities

Danieli UK Holding Limited ("the Company") provides the sales, marketing, engineering and supply of scrap metal processing equipment and other allied products and technologies to a wide variety of customers within the scrap processing industries.

Matters required to be disclosed under Sch 7 of the Companies Act 2006 have been excluded from the Director's report. They are set out in the Strategic report which follows this report, in accordance with s414c(11) of the Companies Act 2006.

Results and dividends

The trading results of the Company are set out in the Profit and Loss Account and Retained Earnings Reconciliation on page 10.

The directors have not recommended a dividend in respect of the year ended 30/06/2021 (2020: £nil).

Directors

The following directors have held office since July 2020:

A P Betts	
G Ximeris	Resigned 30 th September 2020
E Giorgiutti	Appointed 13 th January 2021
R Paelone	Appointed 13 th January 2021

Directors' interests in contracts

None of the directors has any interest, direct or indirect, in any significant contract or arrangement in relation to the business of the Company.

Statement of directors' responsibilities

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

Danieli UK Holding Limited

Directors' Report

for the year ended 30 June 2021 (continued)

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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

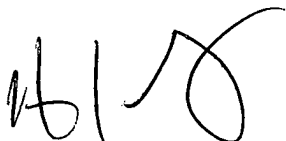
Auditors

The auditors, Hart Shaw LLP, were appointed auditors to the company and in accordance with section 487(2) of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Statement of disclosure to auditor

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

By Order of the Board



A P Betts
Director

Dated: 7th September 2021

Danieli UK Holding Limited

Strategic Report

for the year ended 30 June 2021

Review of business

The Company commenced the year seeing its operations disrupted by the effects of the COVID 19 pandemic which has continued to pose limitations on customer relations.

Improvements in the scrap price since April 2020 were sustained in 2020/21 with a progressive increase in price being achieved throughout the entire year. The recovery in the commodity market translated into a sustained recovery in the demand for the company products. New business accumulation in the after-sales business segment for quarter one and two were stable at levels 50% above the levels of the final quarter of 2019/20. Business growth was sustained in the second half of the year with a 33% increase in new business in this segment of the business being achieved in the second half of 2020/21.

The Company was successful in securing a large order from a major UK steel producer in the later part of the year together with competing the sale of new plant in the scrap metal recycling sector to customers in the UK and Australia. As a result, the order book is now particularly strong.

During the year the Company completed the commissioning of a new ferrous recycling plants for a customer in Australia as well as the manufacture and delivery of several new shredding facilities for domestic customers. Turnover in the year decreased by some 9% compared to the previous year. As such the business contracted to the levels previously seen in 2019. Geographically our sales remain diverse however due to the effects of the pandemic sales in the domestic market were of increased importance. Sales in the domestic market increased by more than 60% year on year. Export sales were sustained and continue to account for more than 70% of our trade, with the EU27 being our biggest market. Considering the year saw the completion of the BREXIT transition period it was pleasing to see that we were able to grow our business with customers in the EU27 by 12%.

Australia continues to be a market offering strong demand for the company products and we, as anticipated in previous reports, expect to achieve several sales of new plants into the region in the medium term. Investment in the UK market we feel will be strong also in the year ahead.

Notwithstanding the excellent work made in building a significant order book, revenues in the year were reduced compared to 2019/20 however we were able achieve growth in our gross margin. The absorption of the trade of the scrap metal process equipment of its associated company Danieli Germany GmbH continued to sustain heavy losses which can be directly attributed to the overall operating loss the Company sustained in the year. As a consequence, the German operations will be closed within calendar year 2021.

As part of a strategic plan the operations of Danieli Henschel SaS were leased by the Company in order to reduce corporate fragmentation of the metal recycling division. This operation has been successfully completed and is now achieving the desired result of improving our level of profitability in the French market.

Macro-economic factors continue to play an important part in our industry and the last few months have clearly demonstrated this. We expect that these external factors to will continue well into early 2022 and anticipate good markets conditions in the near to medium term.

The changing dynamic of global steel production offers a significant opportunity for the company with the expected shift to electric steel making technology continuing to emerge as world economies look to reduce CO2 and other GHG emissions. We anticipate we will see increased demand for the portfolio of products we supply to the scrap processing industry. The Company expects to collaborate closely with its parent company Danieli & C Officine Meccaniche S.p.A in looking to introduce state of the art technology to the domestic market to facilitate the decarbonization of the steel industry and significantly reduce the sectors CO2 footprint.

Danieli UK Holding Limited

Strategic Report

for the year ended 30 June 2021 (continued)

Principal risks and uncertainties

Set out below are the principal risks facing the business. The Directors are of the opinion that a comprehensive risk management process is adopted to identify and review risk factors. Where possible internal business processes are in place to monitor and mitigate such risks.

Macroeconomic conditions. The business is indirectly exposed to scrap metal prices and volumes both of which are inherently linked to the global economic environment. Consequently, variations in the level of consumer and industrial activity will have a direct impact on the supply of process equipment and consumables. In response to this risk, the leadership team aim to keep abreast of economic conditions and modify strategies accordingly.

Competition. The market in which the Group operates is highly fragmented and competitive resulting in margin pressure across the process equipment segment. Policies of regular price monitoring and ongoing market analysis are in place to mitigate this risk.

Recruitment and retention of key staff. Our success is a direct consequence of the quality of our people and the decision taken. Failure to retain personnel of the correct skill set and calibre could have adverse consequences on the business. Succession planning and the continued development particularly of young talents is a key business process as it ensures the retention and motivation of key individuals to ensure their commitment to the ongoing success of the business.

Key performance indicators ("KPIs")

The Company directors recognise that the management of the gross margin on its long-term contracts continues to be essential to understanding, developing and enhancing the position of the business. Gross margins on such contracts are monitored on a continuous basis and reviewed by the directors. In addition, working capital requirements are managed as required. The following table includes some of those key indicators;

	2021	2020	Measure
Gross Margin	18.4%	14.2%	Gross Profit / Turnover
Profit Margin	(1.1%)	(0.2%)	PBT / Turnover
Sales Per Employee (£k)	277.3	391.4	Turnover / Average No. of Employees

Research and development activities

Danieli UK continues to be fully committed to the Danieli Group's mission 'INNOVATION'; to invest in research and development to fortify our global leadership position in the design and supply of continuous casting products, and scrap metal recycling machinery.

Development of machinery to better serve the metals recycling industry in emerging markets is a high priority together with new process plant solutions to address the requirement to decarbonize the steel industry and improve energy efficiency.

Charitable Activities

Danieli UK continues to support a variety of local charitable organisations.

Danieli UK Holding Limited

Strategic Report

for the year ended 30 June 2021 (continued)

Environmental matters

Consistent with policy of The Danieli Group the company has defined reference targets in order to maintain high levels of environmental protection standards. These being but not limited to;

- Promoting a culture of health and environmental protection in all workers and their families;
- Constantly informing and training staff on general and specific risks, on rules of behaviour and company procedures;
- Making available adequate economic, technical and human resources to achieve environmental protection goals;
- Promoting awareness of the importance of compliance with environmental rules by example and through systematic oversight;
- Improving waste management by providing specific labelled containers and dedicated areas bearing appropriate signs and through more accurate separation of waste for disposal;

Future trends and developments

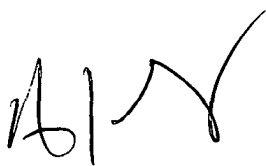
The outlook for 2022 is expected to remain competitive. The effects of COVID 19 and BREXIT we believe have stabilized such that we have now transitioned to a new normal. Sales are expected given the composition of our order book to continue to be more domestically focused however we expect to maintain our presence in our established export markets.

Looking towards the wider business of the Danieli group then we can now see a UK steel sector fragmented into a series of ownership groups the prospects of investments in new technology and technological packages in the near term increasing as new emerging technologies are embraced by the market for which the Company should benefit from these investment plans particularly to address the replacement of ageing assets as well as harnessing new technology focused at increased energy efficiency, decarbonization and reduction in CO2 emissions..

The business has commenced 2022 on a firm financial footing with trading volumes in the first weeks of the 2022 year being significantly well aligned with our budgetary forecasts particularly in the metal recycling after sales segment. The prospect for significant orders for new metal recycling plants is particularly strong and we foresee good prospects both domestically and internationally being realized in the second quarter. The Company is well positioned therefore to achieve significant levels of growth in revenues and operating income in 2022.

As such the outlook for the year ahead remains optimistic despite external risk factors.

By Order of the Board



A P Betts
Director

Dated: 7th September 2021

Danieli UK Holding Limited

Independent Auditor's Report to the members of Danieli UK Holding Limited

Opinion

We have audited the financial statements of Danieli UK Holding Limited (the 'company') for the year ended 30 June 2021 which comprise Statement of Profit and Loss Account and Other Comprehensive Income with a combined Statement of Retained Earnings, Balance Sheet, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 30 June 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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.

Danieli UK Holding Limited

Independent Auditor's Report to the members of Danieli UK Holding Limited (continued)

Opinions on other matters prescribed by the Companies Act 2006

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 3, 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.

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

Extent to which the audit was considered capable of detecting irregularities, including fraud and the audit response

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:

We have assessed the overall susceptibility of the financial statements to material misstatement due to irregularities as low.

At the planning stage we identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management, as required by auditing standards. The potential effect of any laws and regulation on the financial statements can vary considerably. There are laws and regulations that directly affect the financial statements (e.g. the Companies Act) as well as many other operational laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements. Owing to the size, nature and complexity of the organisation and the applicable laws and regulations to which it must adhere, the risk of material misstatement was deemed to be low, therefore the procedures performed by the audit team were limited to:

- Communicating identified laws and regulations at planning throughout the audit team to remain alert to any indications of non-compliance throughout the audit.
- Enquiry of management and those charged with governance around actual and potential litigation and claims as well as non-compliance with laws and regulations.

Danieli UK Holding Limited

Independent Auditor's Report to the members of Danieli UK Holding Limited (continued)

- Reviewing minutes of meetings of those charged with governance.
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

We have assessed the overall susceptibility of the financial statements to material misstatement due to fraud as low because the nature of the business does not particularly lend itself to fraud.

Management override is inherently high risk on any audit. Management override, which may cause there to be a material misstatement within the financial statements, may present itself in a number of ways, for example:

- Override of internal controls (e.g. segregation of duties)
- Entering into transactions outside the normal course of business, especially with related parties
- Fraudulent revenue recognition, including fictitious sales and sales being recorded in the wrong period
- Presenting bias in accounting judgements and estimates, particularly the ones disclosed in "*Critical accounting estimates and judgements*" section of the accounting policies; note 4 to the financial statements.

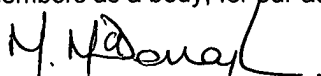
In order to reduce the risk of material misstatement to an acceptable level, numerous audit procedures were performed including:

- Enquiries of management as to whether they had any knowledge of any actual or suspected fraud
- Review of all material journal entries made throughout the year as well as those made to prepare the financial statements
- Reviewing the underlying rationale behind transactions in order to assess whether they were outside the normal course of business
- Increased substantive testing across all material income streams
- Assessing whether management's judgements and estimates indicated potential bias, particularly those disclosed in "*Critical accounting estimates and judgements*" section of the accounting policies; note 1 to the financial statements.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected material misstatements in the financial statements, even though we have performed our audit in accordance with auditing standards. Furthermore, as with all audits, there is a higher risk of irregularities (especially those relating to fraud) being undetected, as these may involve the override of internal controls, collusion, intentional omissions and misrepresentations etc. We are not responsible for preventing non-compliance or fraud and therefore cannot be expected to detect all instances of such. Our audit was not designed to identify misstatements or other irregularities that would not be considered to be material to the financial statements. The further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

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.



Martin McDonagh (Senior Statutory Auditor)

For and on behalf of Hart Shaw LLP

Chartered Accountants, Statutory Auditor

Europa Link. Sheffield Business Park

Sheffield

S9 1XU

7th September 2021

Danieli UK Holding Limited
Profit and Loss Account and Retained Earnings Reconciliation
for the year ended 30 June 2021

	Note	2021 £	2020 £
Turnover	5	19,131,129	21,525,817
Cost of sales		(15,611,564)	(18,469,822)
Gross profit		3,519,565	3,055,995
Selling and distribution costs		(2,148,060)	(1,558,197)
Administrative expenses		(1,625,192)	(1,524,309)
Restructuring costs		7,372	(32,956)
Bad Debt		-	-
Other Income		48,295	41,623
Operating Profit	6	(198,020)	(17,844)
Net interest receivable	10	30,928	(20,173)
Dividend income	11	-	-
Profit before taxation		(167,092)	(38,017)
Taxation	12	21,414	36,791
Profit for the financial year		(145,678)	(1,226)
Total comprehensive income for the year		(145,678)	(1,226)
Retained earnings as at 1 July 2020		9,500,324	9,501,550
Dividends		-	-
Retained earnings as at 30 June 2021		9,354,646	9,500,324

The operating profit is derived from continuing operations.

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents.

There are no recognised gains or losses other than the gains and (losses) attributable to the shareholders of the company of (£145,678) in the year ended 30 June 2021 (2020: (£1,226)).

The notes on pages 12 to 34 form part of these financial statements.

Danieli UK Holding Limited
Statement of Financial Position
as at 30 June 2021

	Note	2021 £	2020 £
Fixed assets			
Intangible assets	13	644,615	669,264
Investments in subsidiaries	14	3,441,243	3,441,243
Property, Plant and Equipment	15	1,276,314	1,186,791
		5,362,172	5,297,298
Current assets			
Inventories	16	3,097,238	3,014,591
Receivables			
Amounts falling due within one year	17	11,360,421	9,619,635
Amounts falling due after one year		-	-
Cash at bank and in hand		8,514,014	3,503,345
		22,971,673	16,137,571
Payables: amounts falling due within one year	18	(18,285,032)	(11,183,711)
Net current assets		4,686,641	4,953,860
Payables: amounts falling due after one year	19	(694,167)	(750,832)
Net assets		9,354,646	9,500,324
Capital and reserves			
Called up share capital	22	12,488,999	12,488,999
Profit and loss account		(3,155,552)	(2,988,675)
Total Equity		9,354,646	9,500,324

The financial statements on pages 10 to 34 were approved and authorised for issue by the board of directors on 7th September 2021 and were signed on its behalf by:



A P Betts
Director
Danieli UK Holding Limited

Registered Number 02997333

Danieli UK Holding Limited

Notes to the Financial Statements

for the year ended 30 June 2021

1 Statutory Information

Danieli UK Holding Limited is a company domiciled in England and Wales, registration number 02997333. The registered office is 4 Ignite, Magna Way, Rotherham, S60 1FD.

2 Compliance with Accounting Standards

The accounts have been prepared in accordance with FRS 102. There were no material departures from that standard.

3 Summary of Significant Accounting Policies

Basis of preparation of financial statements

The principal accounting policies adopted in the preparation of the financial statements are set out below and have remained unchanged from the previous year, and also have been consistently applied within the same accounts.

The financial statements have been prepared under the historical cost convention. The presentation currency is £ sterling.

Goodwill and intangibles

Positive goodwill is capitalised and classified as an asset on the balance sheet and amortised on a straight line basis. As no reliable estimate can be made, the useful economic life has been limited to 5 years.

Intellectual property is capitalised and classified as an asset on the balance sheet and amortised on a straight line basis. The agreement in place is for a fixed term of 10 years.

Research and development

Research and development expenditure is charged to the profit and loss account in the year in which it is incurred.

Danieli UK Holding Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Property, plant and equipment – depreciation and amortisation

Depreciation has been computed to write off the cost of tangible fixed assets over their expected useful life using the follow rates:

Computer equipment	25% straight line
Fixtures and fittings	20% straight line
Motor Vehicles	20% straight line
Land & Buildings	2% straight line
Leasehold improvements	Over the shorter of the lease term and 10 years

Where there has been a further diminution in value of any asset, this amount has been written off directly to profit and loss account.

Leasing

Rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

The benefits of lease incentives are recognised in profit and loss account over the lease period.

Inventories

Inventories have been valued at the lower of historical cost and estimated selling price less costs to complete and sell. Inventories are recognised as an expense in the period in which the related revenue is recognised.

Cost is determined on the first-in, first-out (FIFO) method. Cost includes the purchase price, including taxes and duties and transport and handling directly attributable to bring the inventory to its present location and condition. The cost of manufactured finished goods and work in progress includes design cost, raw materials, direct labour and other direct costs and related production overheads (based on normal operating capacity).

At the end of each accounting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the Profit and Loss and Retained Earnings Reconciliation. Where a reversal of the impairment is recognised the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the Profit and Loss and Retained Earnings Reconciliation.

Danieli UK Holding Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Income recognition

The company recognises revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the company retains no continuing involvement or control over the goods; (c) the amount of revenue can be measured reliably; (d) it is probable that future economic benefits will flow to the entity and © when the specific criteria relating to the each of company's sales channels have been met, as described below:

(i) **Sale of Design Services**

The company sells design services to other group companies. Revenue is recognised in the accounting period in which the services are concluded. The company uses the percentage of completion method based on the actual service performed as a percentage of the total services to be provided.

(ii) **Sale of Spare Parts**

The company sells spare parts to various installations and plants around the world. Revenue is recognised in the accounting period that the product has been shipped to the location specified by the customer, the risk of obsolescence or loss has been transferred to the customer and the customer accepts the products in accordance with the sales order placed.

(iii) **Sale of Machinery and Plant**

The company supplies items of machinery and complete plant installations over several accounting periods. Revenue is recognised on the percentage of completion based on cost.

(iv) **Consignment Stock**

The company has stock held on consignment with several customers and recognises the revenue from such stock on the basis of usage or on reaching the final date for consumption of the stock as stated in the contract.

(v) **Dividend Income**

Dividend income is recognised when the right to receive payment is established.

Exceptional Items

The company classifies charges and credits that have a material impact on the company's financial results as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the company.

Danieli UK Holding Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Deferred Taxation

Deferred taxation is provided on the liability method to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes.

Tax deferred or accelerated is accounted for in respect of all material timing differences.

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the date of the transaction.

Balances at the year-end denominated in a foreign currency are translated into sterling at the rate of exchange ruling at the balance sheet date.

Pension Costs

The company operates a defined contribution scheme for the benefit of its employees. Contributions payable are recognised in profit and loss account when due.

Investments

All investments are initially recorded at cost less provision for diminution in value. The investment in subsidiaries represents the cost of the company's subsidiary undertakings. The carrying value of the investment is reviewed for impairment following the first full year of acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

In particular:

Restructuring provisions are recognised when the company has a detailed, formal plan for the restructuring and has raised a valid expectation in those affected by either starting to implement the plan or announcing its main features to those affected and therefore has a legal or constructive obligation to carry out the restructuring.

Danieli UK Holding Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Financial Instruments

The company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial Assets

Basic financial assets, including trade and other receivables, cash and bank balances, are initially recognised at transaction price.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial Liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

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

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Danieli UK Holding Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Exemptions for qualifying entities under FRS 102

The company is a wholly owned subsidiary of Industrielle Beteiligung SA, a societe anonyme having its registered office at 9, Rue du Laboratoire L-1911, Luxembourg. Industrielle Beteiligung SA itself is a wholly owned subsidiary of Danieli & C Officine Meccaniche Spa a company established under the laws of the Republic of Italy, with its principal place of business at 33042 Buttrio, Udine, Italy. It is included in the consolidated financial statements of Danieli & C Officine Meccaniche Spa which are publicly available. Therefore, the company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

The company has taken advantage of the exemption, under FRS 102 paragraph 1.12(b), from preparing a statement of cash flows, on the basis that it is a qualifying entity and its ultimate parent company, Danieli & C Officine Meccaniche Spa. Includes the company's cash flows in its own consolidated financial statements.

4 Critical Accounting Judgements and Estimation Uncertainty

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.

Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Deferred income

The company has a number of contracts for rendering of goods and services which were in progress at the year end. The external costs incurred at the year end on the contracts are recoverable through the standard terms and conditions of the contract, should the contract not be fulfilled through no fault of the company. As such, the company recognises revenue throughout the length of the contract through the costs incurred to date on profit making contracts and recognises the profit element upon completion of the contract, as this is the significant act that ensures the company will be entitled to the full amount of revenue. In making this judgement, management has considered the detailed criteria set out for the recognition of revenue in FRS 102 Section 23, with particular emphasis to whether the specific act of completion of the contract is the most significant aspect of the contract to recognise the revenue in excess of costs on a contract. As such, the company has deferred £7,129,572 (2020: £788,861).

Danieli UK Holding Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(ii) **Deferred costs**

The company has a number of contracts for rendering of goods and services which were in progress at the year end. In respect of goods and services received in order to carry out the contract amounts have been invoiced but are not payable until the final terms of the contract have been agreed by the end customer per the terms of the contract. The amount of costs deferred are estimated using the balance on the original contract yet to be received from the end customer in respect of the work performed at the yearend date.

In making this judgement, management has considered the detailed criteria set out for the recognition of costs in FRS 102 Section 21, with particular emphasis as to whether an obligation existed at the reporting date as a result of a past event. As such the company has deferred £192,836 (2020: £511,641).

Danieli UK Holding Limited **Notes to the Financial Statements** **for the year ended 30 June 2021**

5 Turnover

The company's turnover represents the value, excluding value added tax, of goods and services supplied to customers during the year / period

The analysed of turnover by geographical area and activity is as follows:

	2021	2020
By geographical area	£	£
United Kingdom	4,594,777	2,797,078
North America	159,234	52,379
South America	75,546	1,178
Asia	1,191,109	1,968,930
Europe	11,599,807	10,311,598
Africa	124,354	219,747
Australasia	1,386,302	6,174,907
	19,131,129	21,525,817

	2021	2020
By activity	£	£
Metallurgical services	640,892	666,599
Scrap metal processing equipment	17,808,161	19,863,283
Non-ferrous products	682,076	995,935
	19,131,129	21,525,817

Danieli UK Holding Limited
Notes to the Financial Statements
for the year ended 30 June 2021

6 Profit / (Loss) before tax

	2021	2020
	£	£
Profit / (Loss) before tax is stated after charging / (crediting):		
Directors' remuneration	148,153	153,039
Pensions of directors	14,815	15,304
Auditors' remuneration	19,500	19,500
Depreciation of owned assets	125,097	82,564
Amortisation of owned assets	88,400	88,400
Operating lease rentals:		
- property rentals	272,914	398,488
- vehicles	19,775	3,223
(Profit)/Loss on sale of tangible fixed assets	4,647	(13,027)
Net (Gains) on foreign currency translations	(231,567)	(37,099)

7 Auditors' remuneration

	2021	2020
	£	£
Fees payable for audit of annual financial statements	19,500	19,500
Fees payable for other services	8,075	3,075

Danieli UK Holding Limited
Notes to the Financial Statements
for the year ended 30 June 2021

8 Directors' remuneration

	2021	2020
	£	£
Emoluments for qualifying services	149,148	154,080
Company contributions to defined contribution pension scheme	14,815	15,304
	163,963	169,384

Retirement benefits are accruing for 1 (2020: 1) director under the company's defined contribution pension scheme.

9 Staff numbers and costs

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

	2021	2020
	Number	Number
Manufacturing	28	18
Sales and administration	41	37
	69	55

The aggregate payroll costs of these persons were as follows:

	2021	2020
	£	£
Wages and salaries	3,043,399	2,631,923
Social security costs	435,696	265,467
Other pension costs (Note 24)	199,267	162,096
Staff costs	3,678,362	3,059,486

Danieli UK Holding Limited
Notes to the Financial Statements
for the year ended 30 June 2021

10 Net interest receivable

	2021	2020
	£	£
Interest receivable		
Bank	-	-
Group	-	-
Other	48,537	77,215
	48,537	77,215
Interest payable		
Bank	-	-
Group	-	-
Other	(17,609)	(97,388)
	(17,609)	(97,388)
Net interest payable / (receivable)	30,928	(20,173)

11 Dividends

The Company received no cash dividend in the year (2021: £nil) from its subsidiary Innoval Technology Limited in the year. There were £Nil dividends receivable by the Company at the end of the financial year (2020: £nil).

Danieli UK Holding Limited
Notes to the Financial Statements
for the year ended 30 June 2021

12 Taxation

	2021	2020
	£	£
Current tax		
UK Corporation tax at 19.00% (2020: 19.00%)	-	-
Adjustments in respect of previous periods	52,114	52,951
Total current tax charge	52,114	52,951
Deferred tax (note 21)		
Origination and reversal of timing differences	(30,700)	(16,160)
Changes in tax rates or laws	-	-
Adjustments in respect of prior periods	-	-
Tax charge on Profit / (Loss) on ordinary activities	21,414	36,791

Danieli UK Holding Limited
Notes to the Financial Statements
for the year ended 30 June 2021

12 Taxation (continued)

The current tax charge for the year is lower (2020: lower) the standard rate of corporation tax in the UK at 19.00% (2020: 19.00%). The differences are explained below:

	2021 £	2020 £
Profit / (Loss) before tax	(167,092)	(38,017)
Profit / (Loss) on ordinary activities multiplied by standard rate in the UK of 19.00% (2020: 19%)	(31,747)	(7,269)
Effects of:		
Accelerated capital allowances	-	-
Income not taxable for tax purposes	-	-
Other permanent differences	-	-
Fixed asset differences	(193)	217
Expenses not deductible for tax purposes	526	1,183
Tax rate change	-	-
Adjustments in respect of previous periods	52,114	(52,951)
Losses utilised	714	22,029
Adjustment in closing deferred tax to average rate of 20.00%	-	-
Other short-term timing differences	-	-
Charge for the period	21,414	36,791

Danieli UK Holding Limited
Notes to the Financial Statements
for the year ended 30 June 2021

13 Intangible Fixed Assets

	Goodwill	IP	Total
	£	£	£
Cost			
At 1 July 2020	3,008,501	934,044	3,942,545
Additions	-	63,751	63,751
At 30 June 2021	3,008,501	997,795	4,006,296
Amortisation			
At 1 July 2020	3,008,501	264,780	3,273,281
Charge for the year	-	88,400	88,400
At 30 June 2021	3,008,501	353,180	3,361,681
Net book amount			
At 30 June 2021	-	644,615	644,615
At 30 June 2020	-	669,264	669,264

The intangible fixed asset was created wholly from the goodwill on acquisition of Lynxs Shredder (Project Design) Ltd.

Danieli UK Holding Limited
Notes to the Financial Statements
for the year ended 30 June 2021

14 Investments in subsidiaries

	Investments in subsidiary undertakings
	£
Cost of valuation	
At 1 July 2020	3,441,243
Over provided consideration	-
At 30 June 2021	3,441,243
Amortisation	
At 1 July 2020	-
Charge in the year	-
At 30 June 2021	-
Net book amount	
At 30 June 2021	3,441,243
At 30 June 2020	3,441,243

Investments in subsidiaries comprises of equity shares in Innoval Technology Ltd. These shares are not publicly traded.

The company owns 100% of the equity share capital (2020: 100%). During the year the company received no dividend (2020: £nil).

The investment is carried at cost and not fair value as the shares are not publicly traded and therefore the company continues to follow its previous accounting policy.

Danieli UK Holding Limited

Notes to the Financial Statements

for the year ended 30 June 2021

14 Investments in subsidiaries (continued)

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:

Name of Company	Holding	Proportion of voting rights and shares held	Nature of Business
Danieli Lynxs Limited	Ordinary Shares	100%	Dormant
Danieli Lynxs Services Limited	Ordinary Shares	100%*	Dormant
Danieli Lynxs Shredder Services Limited	Ordinary Shares	100%*	Dormant
Innoval Technology Limited	Ordinary Shares	100%	Engineering
Danieli Davy Distington Limited	Ordinary Shares	100%	Dormant

* Held by a subsidiary undertaking.

The aggregate capital and reserves and the results of these undertakings for the last relevant financial period were as follows:

Subsidiary undertakings	Capital and reserves £	Profit for the period £
Danieli Lynxs Limited	100	-
Danieli Lynxs Services Limited	100	-
Danieli Lynxs Shredder Services Limited	100	-
Innoval Technology Limited	1,158,808	11,306
Danieli Davy Distington Limited	1	-

Danieli UK Holding Limited
Notes to the Financial Statements
for the year ended 30 June 2021

15 Property, Plant and Equipment

	Motor Vehicles	Leasehold Improvements	Land & Buildings	Computer Equipment	Fixtures and Fittings	Total
	£	£	£	£	£	£
Cost						
At 1 July 2020	17,069	218,131	1,030,342	357,417	242,365	1,865,324
Additions	8,795	-	-	125,788	90,687	225,270
Disposals	(7,569)	(3,751)	-	(251,432)	-	(262,752)
At 30 June 2021	18,295	214,380	1,030,342	231,772	333,052	1,827,842
Depreciation						
At 1 July 2020	6,441	136,702	41,102	328,072	166,215	678,533
Charge for the year	4,290	14,412	20,607	43,864	41,925	125,098
Disposals	(5,172)	(2,270)	-	(244,661)	-	(252,103)
At 30 June 2021	5,559	148,843	61,709	127,274	208,139	551,528
Net book amount						
At 30 June 2021	12,736	65,536	968,633	104,498	124,913	1,276,314
At 30 June 2020	10,628	81,429	989,239	29,345	76,150	1,186,791

16 Inventories

	2021 £	2020 £
Raw materials and consumables	3,097,238	3,014,591
Work in progress	-	-
	3,097,238	3,014,591

The amount of inventory recognised as an expense in the year was £12,241,485.

Danieli UK Holding Limited
Notes to the Financial Statements
for the year ended 30 June 2021

17 Receivables – amounts recoverable within one year

	2021	2020
	£	£
Trade receivables	4,029,825	4,586,704
Amounts owed by parent undertaking	1,757,812	1,998,821
Amounts owed by subsidiary undertakings	73,241	37,149
Amounts owed by fellow group undertakings	554,893	493,429
Corporation tax	61,353	135,479
Deferred tax asset (note 20)	600	31,300
Other receivables	1,686,764	1,750,814
Prepayments and accrued income	307,389	241,517
Amounts Recoverable on long Term Contracts	2,695,708	252,000
Advances to suppliers	192,836	92,421
	11,360,421	9,619,635

18 Payables – amounts falling due within one year

	2021	2020
	£	£
Trade payables	3,074,979	2,587,634
Payments on account	7,129,572	228,861
Other tax and social security	981,405	69,135
Accruals and deferred income	1,113,950	2,006,755
Promissory notes	-	-
Bank loan	56,667	56,667
Amounts owed to parent undertaking	3,763,886	2,735,727
Amounts owed to fellow group undertakings	2,164,573	3,498,932
	18,285,032	11,183,711

Payments on account are down payments from customers as part of the commercial terms of payment on orders placed.

Danieli UK Holding Limited
Notes to the Financial Statements
for the year ended 30 June 2021

19 Payables – amounts falling due after one year

	2021	2020
	£	£
Promissory notes	-	-
Bank loan	694,167	750,833
	694,167	750,833

Amounts falling due after more than one year comprise:

Bank Loans

The company has a term loan of £750,833 (2020: £807,500) from Barclays Bank Plc. The loan is payable in full by 2022. and bears interest at 2.25% payable annually.

20 Deferred tax asset

	Deferred Tax Asset
	£
Deferred tax at 1 July 2020	31,300
Adjustments in respect of prior periods	-
Credit to the profit and loss account	(30,700)
Roundings	-
Deferred tax at 30 June 2021	600

Danieli UK Holding Limited
Notes to the Financial Statements
for the year ended 30 June 2021

20 Deferred tax asset (continued)

Deferred tax asset provided and unprovided in the financial statements is as follows:

	Provided		Unprovided	
	2021	2020	2021	2020
	£	£	£	£
Accelerated capital allowances	11,500	21,340	-	-
Losses	-	-	-	-
Short term timing differences	(10,900)	9,934	-	-
Deferred tax asset	600	31,274	-	-

21 Financial instruments

The company has the following financial instruments:

	2021	2020
	£	£
Financial Assets that are debt instruments		
measured at amortised cost:	8,102,536	8,866,197
	8,102,536	8,866,917
Financial Liabilities measured at amortised		
cost:	10,735,677	9,698,929
	10,735,677	9,698,929

Danieli UK Holding Limited
Notes to the Financial Statements
for the year ended 30 June 2021

22 Share capital

	2021	2020
	£	£
Authorised		
12,488,999 Ordinary shares of £1 each	12,488,999	12,488,999
Allotted, called up and fully paid		
12,488,999 Ordinary shares of £1 each	12,488,999	12,488,999
Total issued share capital	12,488,999	12,488,999

Danieli UK Holding Limited
Notes to the Financial Statements
for the year ended 30 June 2021

23 Leasing commitments

Total future minimum lease payments under non-cancellable operating leases are as follows:

				2021
	Land and buildings	Plant and machinery	Vehicles	Total
	£	£	£	£
Operating leases which expire:				
Within one year	122,149	432	8,916	131,497
In the second to the fifth years inclusive	126,041	-	10,859	136,900
After the fifth year	24,292	-	-	24,292
	272,482	432	19,775	292,689
				2020
	Land and buildings	Plant and machinery	Vehicles	Total
	£	£	£	£
Operating leases which expire:				
Within one year	122,149	3,425	2,994	128,568
In the second to the fifth years inclusive	221,690	432	229	222,351
After the fifth year	50,792	-	-	50,792
	394,631	3,857	3,223	401,711

Amounts paid on leases in the year were £139,106 (2020: £115,754).

Danieli UK Holding Limited

Notes to the Financial Statements

for the year ended 30 June 2021

24 Pension scheme

The company's employees are members of a defined contribution pension scheme under which contributions are paid by the company and by employees.

The company's contributions are based on a percentage of employee earnings. The pension cost charge for the year was £199,267 (2020: £162,096). The balance sheet payable as at the year end was £34,439 (2020: £25,891).

25 Contingent liability

During the year the company gave an unlimited guarantee to Barclays Bank plc in respect of Innoval Technology Limited's bank borrowings. At 30th June 2021 these amounted to £5,551 (2020: £27,471).

26 Related party disclosures

As a subsidiary undertaking of Danieli & C Officine Meccaniche Spa, the company has taken advantage of the exemption in FRS 102 "Related party disclosures" not to disclose transactions with group companies.

Amounts due from parent/subsidiary/fellow group undertakings are included within Trade receivables (note 17). Amounts due to parent/subsidiary/fellow group undertakings are included within Trade payables (note 18).

See note 8 for disclosure of the directors' remuneration.

27 Ultimate parent company

The company is a wholly owned subsidiary of Industrielle Beteiligung SA, a societe anonyme having its registered office at 9, Rue du Laboratoire L-1911, Luxembourg. Industrielle Beteiligung SA itself is a wholly owned subsidiary of Danieli & C Officine Meccaniche Spa a company established under the laws of the Republic of Italy, with its principal place of business at 33042 Buttrio, Udine, Italy.