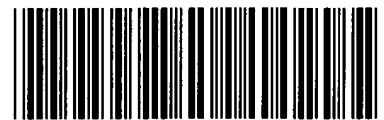


**ANNUAL REPORT AND FINANCIAL
STATEMENTS**

**FOR THE YEAR ENDED
31 DECEMBER 2021**

**ELKEM SILICONES (UK)
LIMITED**

TUESDAY



AB7KUQD5

A08

05/07/2022

#360

COMPANIES HOUSE

ELKEM SILICONES (UK) LIMITED

COMPANY INFORMATION

Directors	A Bouley S Duffy B Mollet (resigned 22 March 2021)
Company secretary	K Goulding
Registered number	05958909
Registered office	Wolfe Mead Farnham Road Bordon Hampshire GU35 0NH
Independent auditor	Grant Thornton UK LLP 1 Holly Street Sheffield S1 2GT
Bankers	BNP Paribas London branch 10 Harewood Avenue London NW1 6AA

ELKEM SILICONES (UK) LIMITED

CONTENTS

	Page
Strategic Report	1 - 4
Directors' Report	5
Directors' Responsibilities Statement	6
Independent Auditor's Report to the Shareholders of Elkem Silicones (UK) Limited	7 - 11
Statement of Income and Retained Earnings	12
Statement of Financial Position	13
Notes to the Financial Statements	14 - 24

ELKEM SILICONES (UK) LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

Introduction

The directors present their Strategic Report for the year ended 31 December 2021.

Elkem Silicones (UK) Limited is a Private Limited Company, incorporated in the United Kingdom. The address of its registered office and principal place of business are disclosed on the Company Information page.

From the 5th of November 2019 the immediate parent undertaking of Elkem Silicones (UK) Ltd is Elkem UK Holdings Ltd, the ownership of the shares in Elkem Silicones (UK) Ltd was transferred from Elkem ASA to Elkem UK Holdings Ltd.

Business review

The principal activity of the company during the year was the sale and marketing of silicone-based polymers and chemicals, with 97.96% (2020: 95%) of sales made in the United Kingdom and the rest made in other European countries.

The trading situation improved during Q4 2020 and was strong throughout 2021 with global silicone demand exceeding capacity to supply. Commodity pricing in Formulation and Construction increased sharply in Q4 2020 and continued to rise in 2021 but results were limited by availability. Rubber demand grew strongly but price increases were limited by annual contracts with customers. Speciality businesses again performed well and exhibited growth, most notably in healthcare, film special effects and labelling. Automotive production in S2 was affected by micro-processor shortage and this impacted speciality business for textile coating for airbags. Covid 19 did not impact demand but to a small extent affected our customer production capacity.

The company achieved turnover for the year of £33,720,760 (2020: £26,398,451).

Gross profit was £3,330,206 (2020: £2,348,631).

Total Shareholders' funds have increased to £1,460,434 (2020: £333,832).

ELKEM SILICONES (UK) LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

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 and uncertainties affecting the company are considered to relate to market conditions in the United Kingdom and Ireland, in particular silicone market prices and demand for silicone-based polymers in the chemical and other manufacturing industries. These are mitigated at a group level.

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of changes in interest rates, credit risk, liquidity risk, exchange rate risk and commodity price risk.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the finance department of Elkem ASA. The department has policies and procedures that set out specific guidelines to manage interest rate risk, credit risk and circumstances where it would be appropriate to use financial instruments to manage these.

Interest rate risk

In 2018, Elkem implemented Cash Pool netting. The company's interest rate exposure arises mainly from its interest-bearing borrowings from the Group Cash Pool. This Cash Pool is using the levelling method of Zero Balance Accounts with Elkem Silicones France Master accounts. The directors do not feel that the risk is sufficient to warrant mitigation, but will continue to monitor this approach over time.

Credit risk

The company monitors credit risk closely and considers that its current policies of credit checks and applications of credit limits on all customers meets its objectives of managing exposure to credit risk. The company has no significant concentrations of credit risk.

Liquidity risk

The company closely monitors its access to bank and other credit facilities in comparison to its outstanding commitments to ensure it has sufficient funds to meet its obligations as they fall due. In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company relies upon the Group Cash Pool and, when required financing from its parent undertaking. The Cash Pool is using the levelling method of Zero Balance Accounts with Elkem Silicones France Master accounts.

Exchange rate risk

The company operates internationally and is exposed to foreign exchange risk arising from currency exposures, primarily with respect to the Euro. The company manages its holding of foreign currency, specifically Euros, to ensure that the impact of currency fluctuations on the company is reduced. The use of forward contracts has been considered, as a further measure to mitigate this risk. However, the company has not entered into any contracts of this nature during the year.

Commodity price risk

The company's exposure to commodity price movements is borne and managed by the Group, via long-term contracts with multiple suppliers, or hedging contracts where these are considered necessary. No hedging arrangements have been entered in to by the company during the year.

ELKEM SILICONES (UK) LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

Future Development

The Company considers there to be continuing uncertainty about global raw material price trends, energy, logistics and packaging costs.

The directors also believe there is uncertainty about the geopolitical situation.

To mitigate these risks the company has reviewed trading operations and introduced shorter term contracts with customers and surcharges on key raw materials.

The group transfer pricing policy guarantees a positive operating income to the company which is mostly acting as a distributor of the profit centre.

Covid-19 implications

Elkem Silicones end-user markets are very diversified, ranging from personal care, medical, automotive, electronics, construction and appliances applications. This diversification has mitigated the impact of COVID-19 on the company's demand and the underlying market demand remains strong.

The company's affiliates handling manufacturing operation were not significantly impacted by the COVID-19. The plants were not shut down due to sanitary issues thanks to good implementation of safety measures throughout the sites.

Based on these facts the company's management considered potential impacts of COVID-19 on its activities and business with the conclusion that Elkem Silicones UK Ltd will be able to continue its activities. The financial statements as at 31 December 2021 were prepared on this assumption.

Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' report and Strategic report which includes the company's objectives, policies and processes for managing its capital; its financial risk management objectives; and its exposures to credit risk and liquidity risk.

The company prepares annual profit and loss, balance sheet and sales projections covering the period of 12 months after the sign off date. These projections indicate that, taking account of reasonably possible downsides and the anticipated impact of COVID-19 on the operations and its financial resources, the Company will have sufficient funds through its external trading performance and funding from its intermediate parent company Elkem ASA, if necessary, to meet its liabilities as they fall due for that period.

Consequently, the directors do not believe that there are any material uncertainties relating to events that may cast doubt on the company's ability to continue as a going concern and are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

ELKEM SILICONES (UK) LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

Financial key performance indicators

Management considers the key performance indicators for the company to be sales turnover, receivables and fixed costs, which were monitored by management on a monthly basis. Sales of £33.7m were achieved (2020: £26.4m), an increase of £7.3m, due to a recovery of demand on Rubber, construction, release coating, textile coating markets and dynamic pricing policy on commodities.

Overdue customer balances were last year at 5% on average during the year (2020: 1.7%).

Debtor days were on average 67 days (2020: 67 days) and fixed costs were above budget by £251k (2020: £-33k) due to labour cost (hiring of 1 FTE) and external services (intra group agreements).

This report was approved by the board and signed on its behalf.

Kath GOULDING

.....
K Goulding
Secretary

Date: 30/6/2022

ELKEM SILICONES (UK) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their report and the financial statements for the year ended 31 December 2021.

Results and dividends

The profit for the year, after taxation, amounted to £1,126,602 (2020 - £697,489).

The directors recommended a payment of a dividend totalling £nil (2020: £nil)

Directors

The directors who served during the year were:

A Bouley
S Duffy
B Mollet (resigned 22 March 2021)

Future development

Business activities in 2021 strongly improved compared to 2020, negatively affected by Covid-19 with reduced demand in Rubber, Construction and Textile.

Our expectations for 2022 is to maintain strong relationships with key customers and building business with prospective new customers.

Prices were increased significantly at the beginning of 2022 and the Company is carefully monitoring raw material and other costs and has mechanisms in place to raise prices to compensate if required. The company expects pricing to remain above 2021 levels throughout 2022.

Despite some disturbance in the very first weeks of Brexit, routines are now established, and except for increased delivery times and some delays we do not expect an impact on 2022 performance.

Financial risk management

Financial risk management has been addressed in the Strategic Report.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the directors 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 auditor is aware of that information.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

Keith GOULDING

.....
K Goulding
Secretary

Date: 30/6/2022

ELKEM SILICONES (UK) LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland').

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 and profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial statements 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 to 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.

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

Disclosure of information to auditor

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors 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 auditor is aware of that information.

ELKEM SILICONES (UK) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ELKEM SILICONES (UK) LIMITED

Qualified Opinion

We have audited the financial statements of Elkem Silicones (UK) Limited (the 'Company') for the year ended 31 December 2021, which comprise the Statement of Income and Retained Earnings, the Statement of Financial Position and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, except for the matter described in the basis for qualified opinion section of our report, 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 United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for qualified opinion

With respect to stock having a year end carrying amount at 31 December 2021 of £1,083,988 and of £1,653,693 at 31 December 2020, the audit evidence available to us was limited because we did not observe the counting of physical stock valued at £390,381 at 31 December 2021 and we did not observe the counting of any physical stock at 31 December 2020, due to lockdowns arising from the COVID-19 pandemic and related restrictions applied by the third-party sites where the company has its stock located. Owing to the nature of the company's records, we were unable to obtain sufficient appropriate audit evidence regarding the stock quantities by using other audit procedures. Consequently, were unable to determine whether any adjustment to the carrying value of stock was necessary.

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 United Kingdom, including the Financial Reporting Council'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.

ELKEM SILICONES (UK) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ELKEM SILICONES (UK) LIMITED (CONTINUED)

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

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.

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.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Strategic and Directors' report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

As described in the basis for qualified opinion section above, we were unable to obtain sufficient appropriate evidence concerning the stock quantities of £390,381 at 31 December 2021 and the stock quantities of £1,653,693 as at 31 December 2020. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter. We have concluded that where other information refers to the stock balance or related balances such as cost of sales, it may be materially misstated for the same reason.

ELKEM SILICONES (UK) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ELKEM SILICONES (UK) LIMITED (CONTINUED)

Opinion on other matters prescribed by the Companies Act 2006

Except for the matter described in the basis for qualified opinion section of our report, 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.

Matter on which we are required to report under the Companies Act 2006

Except for the matter described in the basis for qualified opinion section of our report, in the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Except for the matter described in the basis for qualified opinion section of our report, in the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

In respect solely to the issue described in the basis for qualification section of our report we are unable to conclude whether the financial statements are in agreement with the accounting records and returns.

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 for the financial statements

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

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

ELKEM SILICONES (UK) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ELKEM SILICONES (UK) LIMITED (CONTINUED)

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: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud.

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. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

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

- We identified significant laws and regulations, as detailed below, relevant to the Company through inquiries of management and corroborated this through review of board minutes and legal expenses.
- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined which may influence the financial statements. We determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (FRS 102 and the Companies Act 2006) and the relevant tax compliance regulations in the jurisdictions in which the company operates. In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and those are laws and regulations relating to health and safety, employee matters, data protection, import duty and bribery and corruption practices.
- We assessed the susceptibility of the Company's financial statements to material misstatements, including how fraud might occur. We performed procedures over journal entries (in particular manual journal entries determined to be large or relating to unusual transactions), related party transactions and evaluated processes and controls in place to address the risks related to irregularities and fraud.
- In assessing the potential risks of material misstatement, we obtained an understanding of the Company's operations, the applicable statutory provisions, and the Company's control environment, including the adequacy of procedures for authorisation of transactions.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- The engagement team's experience with similar engagements, their understanding of the Company's industry and regulatory requirements (FRS 102, the Companies Act 2006 and the relevant tax compliance regulations) relating to the Company were considered in assessing the competence and capabilities of the engagement team.

ELKEM SILICONES (UK) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ELKEM SILICONES (UK) LIMITED (CONTINUED)

Use of our report:

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP

Peter Edwards
(Senior Statutory Auditor)

for and on behalf of
Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants
Sheffield
Date: 30/6/2022

ELKEM SILICONES (UK) LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £	2020 £
Turnover	4	33,720,760	26,398,451
Cost of sales		(30,390,554)	(24,049,820)
Gross profit		3,330,206	2,348,631
Distribution costs		(753,044)	(523,269)
Administrative expenses		(1,152,499)	(909,110)
Operating profit	5	1,424,663	916,252
Interest receivable and similar income	7	60,513	19,151
Interest payable and similar expenses	8	(77,160)	(74,031)
Profit before tax		1,408,016	861,372
Tax on profit	9	(281,414)	(163,883)
Profit after tax		1,126,602	697,489
Retained earnings at the beginning of the year		(545,815)	(1,243,304)
		(545,815)	(1,243,304)
Profit for the year		1,126,602	697,489
Retained earnings at the end of the year		580,787	(545,815)

The notes on pages 14 to 24 form part of these financial statements.


ELKEM SILICONES (UK) LIMITED

REGISTERED NUMBER:05958909


STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

	Note	2021 £	2020 £
Fixed assets			
Tangible assets	10	-	1,825
		-	1,825
Current assets			
Stocks	11	1,083,988	1,653,693
Debtors: amounts falling due within one year	12	14,636,571	13,253,788
Cash at bank and in hand	13	16	177
		15,720,575	14,907,658
Creditors: amounts falling due within one year	14	(14,260,141)	(14,575,304)
Net current assets		1,460,434	332,354
Total assets less current liabilities		1,460,434	334,179
Provisions for liabilities			
Deferred tax	15	-	(347)
		-	(347)
Net assets		1,460,434	333,832
Capital and reserves			
Called up share capital	16	101	101
Share premium account	17	879,546	879,546
Profit and loss account	17	580,787	(545,815)
		1,460,434	333,832

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



A Bouley
 Director



S Duffy
 Director

Date: 30/6/2022

Date: 30/6/2022

The notes on pages 14 to 24 form part of these financial statements.

ELKEM SILICONES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. General information

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- (i) from the requirement to present financial instrument disclosures, as required by FRS 102 paragraphs 11.39 to 11.4A, paragraphs 12.26 and 12.29; and
- (ii) from the requirement to disclose key management personnel disclosures as required by FRS 102 paragraphs 26.18(b), 26.19 to 26.21 and 26.23
- (iii) from the requirement to present Statement of Cash Flows, as required by FRS 102 paragraph 1.12(b)
- (iv) from the requirements of Section 33 Related Party Disclosures paragraphs 33.1A and 33.7.

The following principal accounting policies have been applied:

2.2 Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' report and Strategic report which includes the company's objectives, policies and processes for managing its capital; its financial risk management objectives; and its exposures to credit risk and liquidity risk.

The company prepares annual profit and loss, balance sheet and sales projections covering the period of 12 months after the sign off date. These projections indicate that the Company will have sufficient funds through its external trading performance and funding from its intermediate parent company Elkem ASA, if necessary, to meet its liabilities as they fall due for that period.

The directors do not believe that there are any material uncertainties relating to events that may cast doubt on the company's ability to continue as a going concern and are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared financial statements on a going concern basis.

ELKEM SILICONES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.3 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

2.4 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.5 Operating leases: the Company as lessee

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

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The Company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 01 January 2020 to continue to be charged over the period to the first market rent review rather than the term of the lease.

2.6 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

ELKEM SILICONES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.7 Borrowing costs

All borrowing costs are recognised in the Statement of Income and Retained Earnings in the year in which they are incurred.

2.8 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

2.9 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.10 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

ELKEM SILICONES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.10 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Plant and machinery	- 6.66% to 15% straight line
Office equipment	- 10% to 30% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

Fixed assets held under construction are recorded at their then current cost. Once completed, they will be depreciated over their expected useful life.

2.11 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.12 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

From June 2019, Elkem Silicones UK implemented a non-recourse Factoring contract, which means that the receivable is sold to a bank.

2.13 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.14 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

ELKEM SILICONES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.15 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There were no significant judgements or key sources of estimation uncertainty.

4. Turnover

An analysis of turnover by class of business is as follows:

	2021 £	2020 £
Sale of goods	33,720,760	26,398,451
	<u>33,720,760</u>	<u>26,398,451</u>

Analysis of turnover by country of destination:

	2021 £	2020 £
United Kingdom	33,032,849	25,168,440
Rest of Europe	687,911	1,230,011
	<u>33,720,760</u>	<u>26,398,451</u>

ELKEM SILICONES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

5. Operating profit

The operating profit is stated after charging:

	2021 £	2020 £
Depreciation of tangible fixed assets	1,825	2,136
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	28,950	28,950
Exchange differences	143,361	148,162
Other operating lease rentals	59,302	47,434
Defined contribution pension cost	81,458	56,741
	<u>183,496</u>	<u>283,423</u>

6. Employees

Staff costs were as follows:

	2021 £	2020 £
Wages and salaries	563,278	419,438
Social security costs	91,250	45,174
Cost of defined contribution scheme	81,458	56,741
	<u>735,986</u>	<u>521,353</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2021 No.	2020 No.
Sales and administrative staff	8	7
Directors	2	2
	<u>10</u>	<u>9</u>

The Directors are remunerated by another group entity, and no remuneration has been paid to them by the company in the current year (2020: £nil). No costs have been recharged to the company in respect of their services to the company (2020: £nil).

ELKEM SILICONES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

7. Interest receivable and similar income

	2021 £	2020 £
Interest receivable from group companies	60,513	14,073
Other interest receivable	-	5,078
	<u>60,513</u>	<u>19,151</u>

8. Interest payable and similar expenses

	2021 £	2020 £
Interest on amounts owed to group undertakings	77,160	74,031
	<u>77,160</u>	<u>74,031</u>

9. Taxation

	2021 £	2020 £
Corporation tax		
Current tax on profits for the year	364,238	164,929
Adjustments in respect of previous periods	(81,002)	-
	<u>283,236</u>	<u>164,929</u>
Total current tax	<u>283,236</u>	<u>164,929</u>
Deferred tax		
Origination and reversal of timing differences	(1,822)	(1,046)
Total deferred tax	<u>(1,822)</u>	<u>(1,046)</u>
Taxation on profit on ordinary activities	<u>281,414</u>	<u>163,883</u>

ELKEM SILICONES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

9. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2020 - *higher than*) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £	2020 £
Profit on ordinary activities before tax	1,408,016	861,372
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	267,523	163,661
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	-	58
Changes in provisions leading to an increase (decrease) in the tax charge	13,891	164
Total tax charge for the year	281,414	163,883

10. Tangible fixed assets

	Plant and machinery £	Office equipment £	Total £
Cost or valuation			
At 1 January 2021	1,294	18,193	19,487
At 31 December 2021	1,294	18,193	19,487
Depreciation			
At 1 January 2021	1,294	16,368	17,662
Charge for the year on owned assets	-	1,825	1,825
At 31 December 2021	1,294	18,193	19,487
Net book value			
At 31 December 2021	-	-	-
At 31 December 2020	-	1,825	1,825

ELKEM SILICONES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

11. Stocks

	2021 £	2020 £
Raw materials and consumables	1,083,988	1,653,693
	<u>1,083,988</u>	<u>1,653,693</u>

£107,402 (2020: £369,657) of finished goods included above are stocks held at customer sites. Title to these stocks passes to the customer when they are utilised by the customer. The company retains the right to invoice any such stock that has been held in stock by the customer for more than two months from delivery date.

The directors do not consider that the replacement cost of stock is materially different from the balance sheet value.

12. Debtors

	2021 £	2020 £
Trade debtors	6,359,187	5,459,669
Amounts owed by group undertakings	8,275,909	7,159,166
Other debtors	-	628,893
Prepayments and accrued income	-	6,060
Deferred taxation	1,475	-
	<u>14,636,571</u>	<u>13,253,788</u>

Amounts owed by group undertakings are unsecured and bear interest at 1 month GBP Libor/Euribor plus a margin of 82 points per annum.

Other debtors included amounts due back from HM Revenue and Customs amounting to £nil (2020: £628,893)

13. Cash and cash equivalents

	2021 £	2020 £
Cash at bank and in hand	16	177
	<u>16</u>	<u>177</u>

ELKEM SILICONES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

14. Creditors: Amounts falling due within one year

	2021 £	2020 £
Trade creditors	274,941	318,339
Amounts owed to group undertakings	6,715,331	7,735,007
Corporation tax	105,631	-
Other taxation and social security	1,363,749	1,035,083
Invoice finance facility	5,567,712	5,390,498
Accruals and deferred income	232,777	96,377
	<u>14,260,141</u>	<u>14,575,304</u>

Amounts owed to the group undertakings are unsecured, repayable on demand and bear interest a 1 month GBP Libor/Euribor plus a margin of 107 basis points per annum.

15. Deferred taxation

	2021 £
At beginning of year	(347)
Charged to profit or loss	1,822
At end of year	<u>1,475</u>

The deferred taxation balance is made up as follows:

	2021 £	2020 £
Accelerated capital allowances	1,475	(347)
	<u>1,475</u>	<u>(347)</u>

ELKEM SILICONES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

16. Share capital

	2021 £	2020 £
Allotted, called up and fully paid		
101 (2020 - 101) Ordinary shares of £1.00 each	101	101

17. Reserves

Share premium

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Profit and loss account

This reserve records retained earnings and accumulated losses.

18. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund during the year and amounted to £81,458 (2020: £56,741). Contributions totalling £7,764 (2020 - £nil) were payable to the fund at the reporting date and are included in creditors.

19. Commitments under operating leases

At 31 December 2021 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2021 £	2020 £
Not later than 1 year	47,023	50,308
Later than 1 year and not later than 5 years	48,319	71,144
	95,342	121,452

Lease payments of £50,308 (2020: £47,434) were recognised as an expense in the profit and loss account during the year.

20. Ultimate parent and controlling party

The immediate parent undertaking is Elkem UK Holdings Ltd, Unit 17 Jessops Riverside, 800 Brightside Lane, Sheffield, South Yorkshire, England, S9 2RX.

Until March 2021, the ultimate parent undertaking and controlling party was China National Chemical Corporation, 62 Beisihuan Xilu, Haidian District, Beijing 100080, PRC. From March 2021, the ultimate parent undertaking and controlling party became Sinochem Holdings Co Ltd, which is a state-owned enterprise established by the State Council of the People's Republic of China. Sinochem Holdings Co Ltd is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 December 2021.