

**Element Six (Production) Limited**

**Annual Report and Financial Statements**

**Year Ended 31 December 2017**

**Company Registration Number: 01483153**



# **Element Six (Production) Limited**

## **Directors' Report and Financial Statements 2017**

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# **Element Six (Production) Limited**

## **Directors and other information**

### **Board of Directors**

J Kilshaw (resigned 7<sup>th</sup> April 2017)  
C O'Donnell (appointed 7<sup>th</sup> April 2017)  
A Guthrie

### **Secretary**

Y Shave

### **Registered Office**

Global Innovation Centre  
Fermi Avenue, Harwell, Oxford,  
Didcot, Oxfordshire, OX11 0QR  
United Kingdom

Element Six (Production) Limited is a private company limited by shares incorporated in the United Kingdom and registered in England & Wales.

### **Solicitors**

Gregsons Solicitors  
49 High Street  
Holywell  
Flintshire  
CH8 7TF  
United Kingdom

### **Bankers**

BNP Paribas  
10 Harewood Avenue  
London  
NW1 6AA  
United Kingdom

### **Statutory Auditor**

Deloitte LLP  
Chartered Accountants  
London  
United Kingdom

# **Element Six (Production) Limited**

## **Strategic report**

The directors present their strategic report on Element Six (Production) Limited ("the Company") for the year ended 31 December 2017.

### **Business Review**

The company continued to rent out its one investment property.

### **Future Developments**

The directors expect the general level of activity to be maintained in the forthcoming year.

### **Results**

The profit after tax for the year is £118,049 (2016:£209,253).

### **Financial Position**

The net assets as at 31 December 2017 were £3,043,159 (2016: £2,925,110).

### **Key performance indicators**

The key performance indicator for the Company is revenue. This was as follows:

	<b>2017</b>	<b>2016</b>
Revenue (£)	157,959	158,393

### **Principal risks and uncertainties**


The principal risk facing the company is non-compliance of the terms of the letting agreement by the tenant as disclosed at note 7 or a decline in the rental market conditions.

### **Events after the balance sheet date**

There have been no significant events since the balance sheet date.

### **Approval**

Approved by the Board and signed on its behalf by:



**A Guthrie**  
**Director**  
**3<sup>rd</sup> September 2018**

# Element Six (Production) Limited

## Directors' report

The directors present their report and the audited financial statements of the company for the year ended 31 December 2017. Principle risks and uncertainties and future developments are discussed in the strategic report.

### Principal activity

As from March 2014 the company's principal activity is leasing a legacy asset held to a third party tenant. Prior to this date the company acted as a holding company for the asset which was unoccupied and classified as held for sale.

### Going concern

The company carries net assets of £3.0 million (2016: £2.9 million) at the statement of financial position date.

Having made appropriate enquiries, the Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and therefore adopt the going concern basis in preparing the financial statements.

### Results and dividends

The company's profit before taxation for the financial year was £157,580 (2016: £158,036). The company incurred some operating costs in relation to the investment property during the year, in addition to interest received on a deposit with a group company. No dividends were paid in either year.

### Directors

The directors who held office during the year and up to the date of signing of the financial statements are given below:

J Kilshaw (resigned 7<sup>th</sup> April 2017)

A Guthrie

C O'Donnell (appointed 7<sup>th</sup> April 2017)

### Directors' indemnities

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

### Post Balance Sheet Events

There are no events subsequent to the balance sheet date that the directors believe need to be reported.

### Small company provisions

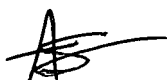
This report has been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006.

### Disclosure of information to auditor

- So far as the directors are 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 a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved by the Board of Directors and signed on behalf of the Board.



A Guthrie  
Director

3<sup>rd</sup> September 2018

## **Element Six (Production) Limited**

### **Directors' responsibilities statement**

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). 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 estimates that are reasonable and prudent;
- state whether applicable Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions 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 may differ from legislation in other jurisdictions.

#### **Independent auditor**

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board.



**A Guthrie**  
**Director**

**3<sup>rd</sup> September 2018**

## **Element Six (Production) Limited**

### **Independent auditor's report to the members of Element Six (Production) Limited**

#### **Report on the audit of the financial statements**

##### **Opinion**

In our opinion the financial statements of Element Six (Production) Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 11.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

##### **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 Financial Reporting Council's (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**

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

## **Element Six (Production) Limited**

### **Independent auditor's report to the members of Element Six (Production) Limited - continued**

#### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual 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.

We have nothing to report in respect of these matters.

#### **Responsibilities of directors**

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

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

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.



## **Element Six (Production) Limited**

### **Independent auditor's report to the members of Element Six (Production) Limited - continued**

#### **Report on other legal and regulatory requirements**

#### **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.

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 any material misstatements in the strategic report or the directors' report.

#### **Matters on which we are required to report by exception**

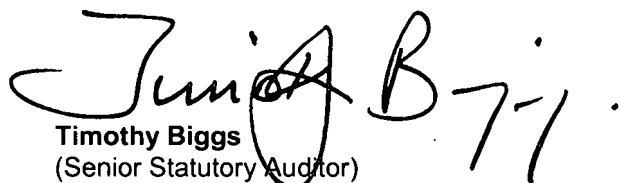
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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;
- the directors were not entitled to take advantage of the small companies exemption from preparing a Strategic Report or in preparing the Directors' Report.

We have nothing to report in respect of these matters.

#### **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.



**Timothy Biggs**  
(Senior Statutory Auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
London, United Kingdom

28 September 2018

## Element Six (Production) Limited

### Profit and loss account Year ended 31 December 2017

	Notes	2017 £	2016 £
Revenue	2	157,959	158,393
Operating costs	3	(1,278)	(1,249)
<b>Operating profit</b>		156,681	157,144
Interest receivable / (payable) and similar income/(charges)	4	899	892
<b>Profit before taxation</b>	5	157,580	158,036
Taxation credit/(charge)	6	(39,531)	51,217
<b>Profit for the financial year</b>		<u>118,049</u>	<u>209,253</u>

The notes on pages 12 to 17 form part of the financial statements.

All gains and losses arising in the year have been included in the profit and loss account and arise from continuing operations.

There are no amounts of Other Comprehensive Income.

## Element Six (Production) Limited

### Statement of Financial Position At 31 December 2017

	Notes	2017 £	2016 £
<b>Non current assets</b>			
Investment property	7	2,500,000	2,500,000
		<u>2,500,000</u>	<u>2,500,000</u>
<b>Current assets</b>			
Debtors	8	545,159	427,110
Cash at bank and in hand		-	-
		<u>545,159</u>	<u>427,110</u>
<b>Creditors: amounts falling due within one year</b>	9	(2,000)	(2,000)
<b>Net current assets</b>		<u>543,159</u>	<u>425,110</u>
<b>Net assets</b>		<u>3,043,159</u>	<u>2,925,110</u>
<b>Capital and reserves</b>			
Called up share capital	10	7,218,202	7,218,202
Profit and loss account		(4,175,043)	(4,293,092)
<b>Shareholders' surplus</b>		<u>3,043,159</u>	<u>2,925,110</u>

The notes on pages 12 to 16 form part of the financial statements.

The financial statements of Element Six (Production) Limited, registered number 01483153 were approved by the Board of Directors on 3<sup>rd</sup> September 2018.

Signed on behalf of the Board of Directors



**A Guthrie**  
Director

## Element Six (Production) Limited

### Statement of Changes in Equity Year ended 31 December 2017

	Called up Share Capital	Profit and Loss Account	Total
	£	£	£
As at 1 January 2017	<b>7,218,202</b>	<b>(4,293,092)</b>	<b>2,925,110</b>
Profit for the year	-	118,049	118,049
Issue of share capital	-	-	-
Other comprehensive income	-	-	-
<b>As at 31 December 2017</b>	<b>7,218,202</b>	<b>(4,175,043)</b>	<b>3,043,159</b>

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As at 1 January 2016	<b>7,218,202</b>	<b>(4,502,345)</b>	<b>2,715,857</b>
Profit for the year	-	209,253	209,253
Issue of share capital	-	-	-
Other comprehensive income	-	-	-
<b>As at 31 December 2016</b>	<b>7,218,202</b>	<b>(4,293,092)</b>	<b>2,925,110</b>

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# **Element Six (Production) Limited**

## **Notes to the financial statements Year ended 31 December 2017**

### **1. Accounting policies**

#### **General information**

The address of the registered office is given on the Company Information page.

#### **Basis of preparation**

The Company financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") as issued by the Financial Reporting Council as applied in accordance with the provisions of the Companies Act 2006. The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to the presentation of a cash flow statement, standards not effective, financial instruments and related party transactions with the Element Six Abrasives Holdings Limited Group. Where required, equivalent disclosures are given in the Group financial statements of Anglo American Plc. The Group financial statements of Anglo American Plc are available to the public and can be obtained from the Anglo American Plc website.

The financial statements have been prepared in pound Sterling denoted by the symbol "£", as that is the currency of the primary economic environment in which the company operates. The principal accounting policies are set out below and have been applied consistently throughout the year.

#### **Going concern**

The company carries net assets of £3.0 million at the statement of financial position date.

Having made appropriate enquiries, the Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and therefore adopt the going concern basis in preparing the financial statements.

#### **Financial instruments**

##### **Loans and receivables**

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

##### **Rental Income**

Rental income arising from operating leases on investment properties is accounted for on a straight line basis over the lease term.

## Element Six (Production) Limited

### Notes to the financial statements (continued) Year ended 31 December 2016

#### 1. Accounting policies – continued

##### Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is stated at its fair value at the balance sheet date. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

##### Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax is recognised in respect of timing differences that have originated but not reversed at the statement of financial position date where transactions or events have occurred at that date and will result in an obligation to pay more, or a right to pay less or to receive more, tax.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the statement of financial position date.

##### Critical accounting judgements and key sources of estimation uncertainty

There is no critical accounting judgement or key sources of estimation uncertainty in the current or prior financial year financial statements.

#### 2. Rental Income

	2017 £	2016 £
Rental income from Investment Property	<u>157,959</u>	<u>158,393</u>

## Element Six (Production) Limited

### Notes to the financial statements (continued) Year ended 31 December 2016

#### 3. Operating costs

	2017 £	2016 £
Administrative costs	1,278	1,249
	<u>1,278</u>	<u>1,249</u>

The 2017 and 2016 administrative costs primarily represent the costs of running and maintaining the site such that the land and buildings are readily available for letting or for sale. These costs include security, electricity and rates.

#### 4. Interest receivable / (payable) and similar income / (charges)

	2017 £	2016 £
Interest receivable / (payable) on loans from group undertakings	<u>899</u>	<u>892</u>

#### 5. Profit before taxation

Element Six (UK) Limited incurred the audit fees on behalf of the company.

The directors did not receive any remuneration in respect of their services as directors of the company.

The company had no employees or staff costs in either year.

## Element Six (Production) Limited

### Notes to the financial statements (continued) Year ended 31 December 2016

#### 6. Taxation

Analysis of tax charge / (credit) in the year	2017 £	2016 £
<b>Current tax:</b>		
UK corporation tax on loss for the year	-	-
Total current tax charge	-	-
<b>Deferred tax:</b>		
Current year	39,705	(53,560)
Effect of changes in tax rates	(174)	2,343
<b>Total deferred tax (See Note 8)</b>	<b>39,531</b>	<b>(51,217)</b>
<b>Tax charge / (credit) on profit (loss)</b>	<b>39,531</b>	<b>(51,217)</b>

#### Factors affecting tax charge for the year

The tax assessed on the result for the year differs from that which would result from applying the standard effective rate of corporation tax in the UK of 19.25% (2016: 20.00%) to the profit on ordinary activities. The differences are explained below:

	2017 £	2016 £
Profit / (loss) before tax	157,580	158,036
Profit / (loss) multiplied by standard rate of corporation tax in the UK of 19.25% (2016: 20.00%)	30,329	31,607
Effect of:		
Tax losses utilised in the year	-	(31,607)
Tax rate changes	(175)	2,343
Losses not recognised	9,377	(53,560)
<b>Total deferred tax charge / (credit) for the year</b>	<b>39,531</b>	<b>(51,217)</b>

A deferred tax asset of £51,217 has been recognised in the prior year in respect of tax losses carried forward on the basis that it is now probable that there will be sufficient and suitable taxable profits arising in future periods on which to utilise them. Tax losses forward have been utilised to offset the 2017 current tax liability in full. A deferred tax asset of £11,685 remains at 31 December 2017.

#### Factors that may affect future tax charges

On 26 October 2015, the Finance Act 2015 was substantively enacted and provided for a reduction in the main rate of corporation tax from 20% to 19% effective from 1 April 2017 and a further 1% reduction to 18% from 1 April 2020. On 6 September 2016, the Finance Act 2016 was substantively enacted and provided for a reduction in the main rate of UK corporation tax to 17% from 1 April 2020.



## Element Six (Production) Limited

### Notes to the financial statements (continued) Year ended 31 December 2016

#### 7. Investment property

	2017 £	2016 £
Freehold land and buildings	<u>2,500,000</u>	<u>2,500,000</u>

Element Six (Production) Limited entered into a ten year lease agreement with a tenant in March 2014 for the above land and buildings. The agreement includes a 5 year break clause which can be triggered by either party. Within the lease agreement there is an option to buy clause in place, set at a fixed price of £2.5 million during the first four years of the lease. The higher of £2.5 million or market value applies thereafter.

The directors are satisfied that the carrying value of this asset, which is equal to acquisition cost is the best estimate of the fair value of the land and buildings at the year end.

#### 8. Debtors

	2017 £	2016 £
Accrued Income	42,327	44,368
Deferred Tax Asset (See Note 6)	11,685	51,217
Loans to Element Six Abrasives Treasury Ltd	491,107	331,505
VAT	40	20
	<u>545,159</u>	<u>427,110</u>

Loan to Element Six Abrasives Treasury Ltd is unsecured, interest bearing (the applicable interest rate applied is 1 Month GBP Libor less a margin of 0.1%) and repayable on demand.

#### 9. Creditors: amounts falling due within one year

	2017 £	2016 £
Accruals	<u>2,000</u>	<u>2,000</u>
	<u>2,000</u>	<u>2,000</u>

## Element Six (Production) Limited

### Notes to the financial statements (continued) Year ended 31 December 2016

#### 10. Called up share capital

	2017 £	2016 £
<b>Authorised</b>		
7,218,202 ordinary shares of £1 each	<u>7,218,202</u>	<u>7,218,202</u>
<b>Allotted, called up and fully paid</b>		
7,218,202 ordinary shares of £1 each	<u>7,218,202</u>	<u>7,218,202</u>

#### 11. Parent company and controlling party

The immediate parent undertaking of Element Six (Production) Limited is Element Six Abrasives Holdings Limited, a company incorporated in England and Wales. The parent company of the smallest group of undertakings of which the company is a member and in whose group financial statements it is included is Element Six Abrasives Holdings Limited, 20 Carlton House Terrace, London, SW1Y 5AN, United Kingdom.

Element Six Abrasives Holdings Limited is owned by De Beers plc (60%) and Umicore (40%). Umicore is registered in Belgium, while De Beers plc is registered in Jersey and its ultimate controlling entities are Anglo American plc (85%) and the Government of the Republic of Botswana (15%).

The parent of the largest group in whose consolidated financial statements the company is included is Anglo American plc, a public limited company registered in England and Wales. The Group financial statements of Anglo American plc can be obtained from the Company Secretary of Anglo American plc, 20 Carlton House Terrace, London SW1Y 5AN, United Kingdom or the Anglo American plc website.