

COMPANIES HOUSE COPY

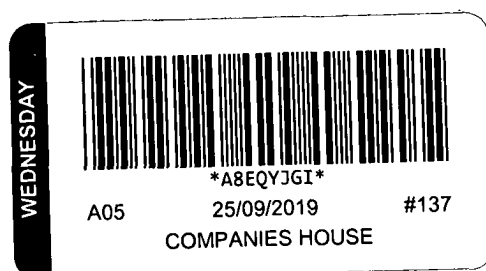
Cookson Precious Metals Limited

Report and Financial Statements

Year Ended

31 December 2018

Company Number 02775187



Cookson Precious Metals Limited

Report and financial statements for the year ended 31 December 2018

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Directors

S J Bate
P W Evans
M E Bach

Secretary and registered office

P W Evans, 59-83 Vittoria Street, Birmingham, B1 3NZ

Company number

02775187

Auditors

BDO LLP, Two Snowhill, Birmingham, B4 6GA

Cookson Precious Metals Limited

Strategic Report for the year ended 31 December 2018

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2018.

Business review

As shown in the company's Statement of Comprehensive Income on page 8, the company's turnover decreased from £277.5m to £266.0m due to lower precious metal commodity prices, particularly gold where the average price was 2.5% lower than 2017. This is also reflected in lower Cost of Sales. Underlying sales growth net of precious metals was largely achieved by development of E-Commerce operations particularly in Europe and key markets in the rest of the world. Other trading areas remained broadly flat on last year due in part to the softer commodity prices. Overall the underlying sales growth translated to a 0.5% improvement in Gross Profit margin.

Increases in distribution costs are directly related to the continued investment in E-Commerce operations and increased logistics costs to service higher shipment volumes, particularly to overseas markets. Administration costs are broadly in line with prior year.

The net assets of the company at 31 December 2018 are £11,044 (2017 - £11,723).

Principal risks and uncertainties

Competitive pressure in Europe, India and the Far East, by way of imports into the UK market and globalisation through E Commerce, is a continuing risk for the company, which could result in losing key sales to competitors. To manage this risk, the company strives to provide added value products and services to its customers; prompt response times in the supply of products and services and the handling of customer queries; and through the maintenance of strong relationships with customers.

The company purchases from and sells into international markets and it is therefore exposed to currency movements on such transactions. Where appropriate, the company manages this risk by applying practices which seek to mitigate currency fluctuations.

The company may be affected by fluctuations in the price and supply of key raw materials, particularly precious metals which are subject to fluctuating prices as market commodities. The company employs financing and purchasing policies and practices to mitigate these risks where practicable.

The company offers credit terms to some customers. Where sufficient risk is identified, that risk is mitigated by the placement of credit insurance to significantly limit the company's exposure to default which would ordinarily result in a loss.

The group risks to which L. Possehl & Co mbH is exposed to are discussed in L. Possehl's Annual Report which does not form part of this report.

Financial Instruments

The company is financed by share capital and group guaranteed precious metal consignment and monetary bank facilities. The company has no long term third party debts. Liquidity and cash flow risks are mitigated by operating strong cash flow controls to ensure normal working capital requirements can be serviced by free cash flow. Details of the use of metal consignment stocks are contained in note 11 of the financial statements.

Cookson Precious Metals Limited

Strategic Report for the year ended 31 December 2018 (*continued*)

Financial key performance indicators

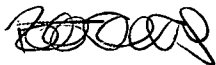
The key performance indicators used by the business to measure operating performance are as follows:

| | 2018 | 2017 |
|----------------------|---------|---------|
| Turnover (£'000) | 265,998 | 277,452 |
| Gross profit (£'000) | 15,190 | 14,465 |
| Gross profit margin | 5.7% | 5.2% |
| Net profit margin | 0.9% | 1.0% |

Environment

The company recognise the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to mitigate any adverse impact that might be caused by its activities.

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



P W Evans
Director

10 July 2019

Cookson Precious Metals Limited

Directors' Report for the year ended 31 December 2018

The directors present their report and the financial statements for the year ended 31 December 2018.

Results and dividends

The profit for the year, after taxation, amounted to £2,071,000 (2017 - £2,165,000).

A £2,750,000 dividend has been paid during the year (2017 - £2,000,000). The directors have not proposed the payment of a final dividend (2017 - £Nil).

Directors

The directors who served during the year and to the date of approval of these financial statements were:

S J Bate
P W Evans
M E Bach

Strategic report

The review of the business, key performance indicators and the principle risks and uncertainties are not shown in the directors report as they are shown in the strategic report in accordance with S414C (11) of the Companies Act 2006.

Employment of disabled persons

It has been the policy of the company throughout the year to encourage the employment and development of suitable disabled persons.

No unnecessary limitations are placed on the type of work which disabled persons can perform and the policy ensures that in appropriate cases, consideration is given to modifications to equipment or premises and to adjustments in working practices.

The policies provides that full and fair consideration will be given to disabled applicants for employment and that existing employees who become disabled will have the opportunity to re train and continue in employment.

Employee involvement

During the year the policy of providing employees with information about the company has continued through the use of internal memos and bulletins. Regular communication occurs between management and employees to allow the free flow of information and ideas.

Financial risk management objectives and policies

Financial risk management objectives and policies have been formulated by the company to control the company's exposure to credit and price risk.

Future Developments

Commercial efforts will continue to focus on leveraging the company's strong balance sheet and financing position to support any sector utilising precious metals to target sales growth, whether located in the UK, Europe, or the rest of the world. Resources will continue to focus on striving to improve internal operations and our people in order to deliver the best combination of products and services our current, and any future customers would demand.

Research and Development

L. Possehl & Co mbH invests in research and development activities appropriate to the size and nature of its operations with the aim of supporting the future development of the company. This research and development activity may result from time to time in updates to existing products or services as appropriate.

Cookson Precious Metals Limited

Directors' Report for the year ended 31 December 2018 (*continued*)

Post balance sheet events

At the time of approval of this report, there were no post balance sheet events to disclose.

Disclosure of information to auditors

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

- so far as that director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Directors' responsibilities

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. 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:

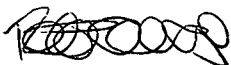
- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;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

The 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, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 10 July 2019 and signed on its behalf.



**P W Evans
Director**

Cookson Precious Metals Limited

Independent Auditor's Report to the members of Cookson Precious Metals Limited

Opinion

We have audited the financial statements of Cookson Precious Metals Limited ("the Company") for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity 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 Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the 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.

Cookson Precious Metals Limited

Independent Auditor's Report to the members of Cookson Precious Metals Limited (*continued*)

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. 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 this regard.

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

Matters on which we are required to report by exception

In the light of 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 and director's report.

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

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

Cookson Precious Metals Limited

Independent Auditor's Report to the members of Cookson Precious Metals Limited (*continued*)

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 4, 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 determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the 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 at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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



Samantha Lifford (Senior Statutory Auditor)
for and on behalf of BDO LLP, Statutory Auditor
Birmingham
United Kingdom

Date 12/07/2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Cookson Precious Metals Limited

Statement of Comprehensive Income For the year ended 31 December 2018

| | Note | 2018 £'000 | 2017 £'000 |
|--|------|----------------|---------------|
| Turnover | 3 | 265,998 | 277,452 |
| Cost of sales | | (250,808) | (262,987) |
| Gross profit | | 15,190 | 14,465 |
| Distribution costs | | (8,602) | (7,908) |
| Administrative expenses | | (3,085) | (3,066) |
| Operating profit | 4 | 3,503 | 3,491 |
| Interest payable and similar charges | 7 | (978) | (822) |
| Profit before tax | | 2,525 | 2,669 |
| Taxation on profit from ordinary activities | 9 | (454) | (504) |
| Profit for the year | | 2,071 | 2,165 |
| Total comprehensive income for the year | | 2,071 | 2,165 |

There were no recognised gains and losses for 2018 or 2017 other than those included in the Statement of Comprehensive income.

All amounts relate to continuing activities.


The notes on pages 11 to 23 form part of these financial statements.

Cookson Precious Metals Limited

Statement of Financial Position As at 31 December 2018

| <i>Company number 02775187</i> | Note | 2018 £'000 | 2018 £'000 | 2017 £'000 | 2017 £'000 |
|--|-------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Fixed assets | | | | | |
| Tangible assets | 10 | | 4,338 | | 4,031 |
| Current assets | | | | | |
| Stocks | 11 | 3,443 | | 3,236 | |
| Debtors | 12 | 6,524 | | 4,277 | |
| Cash at bank and in hand | | 3,325 | | 5,709 | |
| | | <u>13,292</u> | | <u>13,222</u> | |
| Creditors: amounts falling due within one year | 13 | (6,210) | | (5,157) | |
| | | <u></u> | | <u></u> | |
| Net current assets | | | 7,082 | | 8,065 |
| Total assets less current liabilities | | | <u>11,420</u> | | <u>12,096</u> |
| Provision for liabilities | 15 | | (376) | | (373) |
| | | | <u></u> | | <u></u> |
| Net assets | | | <u>11,044</u> | | <u>11,723</u> |
| Capital and reserves | | | | | |
| Called up share capital | 16 | | 7,000 | | 7,000 |
| Profit and loss account | 17 | | 4,044 | | 4,723 |
| | | | <u></u> | | <u></u> |
| Shareholders' funds | | | <u>11,044</u> | | <u>11,723</u> |

The financial statements were approved by the Board of Directors and authorised for issue on 10 July 2019



P W Evans
Director

The notes on pages 11 to 23 form part of these financial statements.

Cookson Precious Metals Limited

Statement of Changes in Equity For the year ended 31 December 2018

| | Share capital £'000 | Retained earnings £'000 | Total equity £'000 |
|--|---------------------------|-------------------------------|--------------------------|
| At 1 January 2018 | 7,000 | 4,723 | 11,723 |
| Comprehensive income for the year | | | |
| Profit for the year | - | 2,071 | 2,071 |
| Total comprehensive income for the year | - | 2,071 | 2,071 |
| Dividends paid (note 8) | - | (2,750) | (2,750) |
| Total transactions with owners | - | (2,750) | (2,750) |
| At 31 December 2018 | 7,000 | 4,044 | 11,044 |

Statement of Changes in Equity For the year ended 31 December 2017

| | Share capital £'000 | Retained earnings £'000 | Total equity £'000 |
|--|---------------------------|-------------------------------|--------------------------|
| At 1 January 2017 | 7,000 | 4,558 | 11,558 |
| Comprehensive income for the year | | | |
| Profit for the year | - | 2,165 | 2,165 |
| Total comprehensive income for the year | - | 2,165 | 2,165 |
| Dividends paid (note 8) | - | (2,000) | (2,000) |
| Total transactions with owners | - | (2,000) | (2,000) |
| At 31 December 2017 | 7,000 | 4,723 | 11,723 |

The notes on pages 11 to 23 form part of these financial statements.

Cookson Precious Metals Limited

Notes forming part of the financial statements For the year ended 31 December 2018

1 Accounting policies

1.1 Company information

Cookson Precious Metals Limited is a company incorporated in England and Wales under the Companies Act. The address of the registered office is given on the contents page. The principal activity of the company is the manufacture and supply of fabricated precious metal products to the jewellery industry in the UK and Continental Europe.

1.2 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The accounts have been prepared using the reduced disclosure exemptions permitted by FRS 102 as a result of the financial statements being included within consolidated financial statements of its ultimate parent company. The accounts therefore do not include:

- The requirements of Section 4; Statement of Financial Position paragraph 4.12 (a) (iv);
- The requirements of Section 7; Statement of Cash Flows;
- The requirements of Section 3; Financial Statement Presentation paragraph 3.17(d);
- The requirements of Section 11; Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44, 11.45, 11.47, 11.4B(a)(iii), 11.4B(a)(iv), 11.4B(b) and 11.48(c);
- The requirements of Section 33; Related Party Disclosures paragraph 33.7.

The preparation of financial statements for the year ended 31 December 2018 in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires company management to exercise judgement in applying the Company's accounting policies (see note 2).

The accounts have been prepared in the company's functional currency, pounds sterling; all figures have been rounded to the nearest thousand.

The following principal accounting policies have been applied consistently:

1.3 Going concern

After making enquiries into future trading forecasts and cash requirements the directors have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the company has adequate resources to meet its obligations and continue in operational existence for the foreseeable future. For these reasons, the directors continue to adopt the going concern basis in preparing the strategic report, directors report and accounts.

1.4 Revenue

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.

Revenue is recognised when the principal risks and rewards of ownership transfers to the customer which is normally at the point of despatch.

Cookson Precious Metals Limited

Notes forming part of the financial statements For the year ended 31 December 2018 *(continued)*

1 Accounting policies *(continued)*

1.5 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.

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their useful economic lives, using the straight line method.

The estimated useful lives range as follows:

| | |
|-----------------------------------|------------------------------|
| Freehold property | - 2% - 4% per annum |
| Plant and machinery | - 7%-33% per annum |
| Long leasehold land and buildings | - Over the term of the lease |

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 within 'administrative expenses' in the statement of comprehensive income.

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.

1.6 Operating leases

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the period of the lease.

1.7 Stocks

Stocks are valued at the lower of cost and net realisable value. Cost comprises expenditure directly incurred in purchasing or manufacturing stocks together with, where appropriate, attributable overheads based on normal activity levels. Net realisable value is based on estimated selling prices less any further costs expected to be incurred to completion and disposal.

Inventories of gold, silver and platinum group metals are valued according to the source from which the metal is obtained. Metal which has been purchased and committed to future sales to customers on the metal markets is valued at a price at which it is contractually committed. Other precious metal inventories owned by the company which are uncommitted are valued at the lower of cost and net realisable value using the prevailing precious metal fix prices at the Statement of Financial Position date.

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 the Statement of Comprehensive Income.

Cookson Precious Metals Limited

Notes forming part of the financial statements For the year ended 31 December 2018 *(continued)*

1 Accounting policies *(continued)*

1.8 Financial instruments

Financial assets

Financial assets comprise cash at bank and in hand, trade and other debtors and amounts owed by group undertakings; these are initially recorded at cost on the date they originate and are subsequently recorded at amortised cost under the effective interest method. The company considers evidence of impairment for all individual trade and other debtors and amounts owed by group undertakings, and any subsequent impairment is recognised in the Statement of Comprehensive Income.

Impairment of financial assets carried at amortised cost

Impairment provisions are recognised when there is objective evidence that a financial asset or group of financial assets are impaired. Objective evidence includes significant financial difficulties of the counterparty, default or significant delays in payment.

Impairment provisions represent the difference between the net carrying amount of a financial asset and the present value of the expected future cash receipts from that asset.

Financial liabilities

Financial liabilities comprise trade creditors, accruals and amounts due to group undertakings; these are initially recorded at cost on the date they originate, and are subsequently carried at amortised cost under the effective interest method.

1.9 Debtors

Short term debtors are measured at transaction price, less any impairment.

1.10 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.

1.11 Creditors

Short term creditors are measured at the transaction price.

1.12 Foreign currency translation

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.

Cookson Precious Metals Limited

Notes forming part of the financial statements For the year ended 31 December 2018 *(continued)*

1 Accounting policies *(continued)*

1.13 Leased asset

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the company (a "finance lease"), the asset is treated as if it had been purchased outright. The amount initially recognised as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to the Statement of Comprehensive Income over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

1.14 Finance costs

Finance costs are charged to the Statement of Comprehensive Income 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.

1.15 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 payments obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income 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.

1.16 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a change 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.

Deferred 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 is determined using tax rates and laws that have been enacted or substantively enacted at the Statement of Financial Position date.

Cookson Precious Metals Limited

Notes forming part of the financial statements For the year ended 31 December 2018 (*continued*)

1 Accounting policies (*continued*)

1.17 Leased assets: Lessor

Where assets are leased to a third party and give rights approximating to ownership (finance leases), the assets are treated as if they have been sold outright. The amount removed from the fixed assets is the net book value on disposal of the asset. The profit on disposal, being the excess of the present value of the minimum lease payments over net book value is credited to profit or loss.

Finance lease payments are analysed between capital and interest components so that the interest element of the payment is credited to profit or loss over the term of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts owed by the lessee.

All other leases are treated as operating leases. Their annual rentals are credited to profit or loss on a straight-line basis over the term of the lease.

2 Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have had to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historic experiences and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities and are not readily apparent from other sources. Actual results may differ from these estimates. The judgements, estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are:

Bad debt provisions

The company has recognised provisions for bad debts. This is based on an assessment of ageing and due date of receivables and other risk indicators. The judgement of management is then applied to provide for debts which are no longer considered recoverable.

Credit note provisions

The company has recognised a provision in respect of credit notes to be issued to trade debtors. This provision is based on the knowledge of the directors around historical credit notes issued and potential credit notes to be issued in the future in relation to customer invoices raised during the year.

Tangible fixed assets

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Stock provisions

The company has recognised provisions for the impairment of stock. The judgements, estimates and associated assumptions necessary to calculate these provisions are based on historical experience and other reasonable factors. In the case of the provision for the impairment of stock, this covers obsolescence through technological or customer specific reasons. This provision is based on the assessment of stock value and ageing, quantities on hand and usage.

Cookson Precious Metals Limited

Notes forming part of the financial statements For the year ended 31 December 2018 (continued)

3 Turnover

Analysis of turnover by country of destination:

| | 2018 £'000 | 2017 £'000 |
|-------------------|----------------|----------------|
| United Kingdom | 258,314 | 270,212 |
| Rest of Europe | 7,085 | 5,152 |
| Rest of the world | 599 | 2,088 |
| | 265,998 | 277,452 |

Turnover is wholly attributable to the principal activity of the company.

4 Operating profit

| | 2018 £'000 | 2017 £'000 |
|--|---------------|---------------|
| This has been arrived at after charging/(crediting); | | |
| Depreciation of tangible fixed assets (note 10) | 485 | 440 |
| Exchange differences | (157) | (158) |
| Fees payable to the company's auditor for the audit of the company's annual financial statements | 34 | 32 |
| Fees payable to the company's auditor for taxation compliance services | 5 | 4 |
| Fees payable to the company's auditor for other non-audit services | 19 | 6 |
| Defined contribution pension scheme (note 5) | 624 | 594 |
| Operating lease cost | 219 | 206 |
| | 7,912 | 7,457 |

5 Employees

| | 2018 £'000 | 2017 £'000 |
|--|---------------|---------------|
| Staff costs, including directors' remuneration, were as follows: | | |
| Wages and salaries | 6,705 | 6,339 |
| Social security costs | 583 | 524 |
| Costs of defined contribution pension scheme | 624 | 594 |
| | 7,912 | 7,457 |

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

| | 2018 Number | 2017 Number |
|----------------------------|----------------|----------------|
| Production | 55 | 50 |
| Administration and selling | 161 | 159 |
| | 216 | 209 |

Cookson Precious Metals Limited

Notes forming part of the financial statements
For the year ended 31 December 2018 (continued)

6 Directors' remuneration

| | 2018 £'000 | 2017 £'000 |
|---|---------------|---------------|
| Directors' emoluments | 439 | 419 |
| Company contributions to defined contribution pension schemes | 37 | 34 |
| | <u>476</u> | <u>453</u> |

During the year retirement benefits were accruing to 2 directors (2017 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £190,000 (2017 - £193,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £Nil (2017 - £Nil).

Key management personnel include all the directors of the company. The directors do not consider any other personnel to be classified as key management. The directors have the authority and responsibility for planning, directing and controlling the activities of the company. The total compensation paid to key management personnel for services provided to the company was £528,000 (2017 - £495,000).

7 Interest payable and similar charges

| | 2018 £'000 | 2017 £'000 |
|-------------------------------------|---------------|---------------|
| Precious metal consignment interest | <u>978</u> | <u>822</u> |

8 Dividends

| | 2018 £'000 | 2017 £'000 |
|--|---------------|---------------|
| Dividends paid on equity capital: | | |
| Interim dividends paid of 39.29p (2017 – 28.57p) per share | <u>2,750</u> | <u>2,000</u> |

Cookson Precious Metals Limited

Notes forming part of the financial statements
For the year ended 31 December 2018 (*continued*)

9 Taxation on profit from ordinary activities

| | 2018 £'000 | 2017 £'000 |
|--|---------------|---------------|
| <i>UK corporation tax</i> | | |
| Current tax on profits of the period | 450 | 338 |
| <i>Deferred tax</i> | | |
| Origination and reversal of timing differences | 9 | 188 |
| Change in tax rate | (5) | (22) |
| Total deferred tax | 4 | 166 |
| Taxation on profit | 454 | 504 |

Factors affecting tax charge for the year

The tax assessed for the year is different to the standard rate of corporation tax in the UK of 19% (2017 – 19.25%). The differences are explained below:

| | 2018 £'000 | 2017 £'000 |
|---|---------------|---------------|
| Profit before tax | 2,525 | 2,669 |
| Profit on ordinary activities at the standard rate of corporation tax in the UK of 19% (2017 – 19.25%) | 480 | 514 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 4 | 12 |
| Change in tax rate | (4) | (22) |
| Tax credits on R&D expenditure | (26) | - |
| Total tax charge for the year | 454 | 504 |

Factors that may affect future tax charges

The main rate of UK corporation tax for the year commencing 1 April 2016 was 20%, this reduced to 19% for the year commencing 1 April 2017. The finance Act 2016, enacted on 15 September 2016, reduced the main rate of Corporation tax to 17% for the year commencing 1 April 2020. These changes have been reflected in the calculation of the carrying value of the deferred tax liabilities at the Statement of Financial Position date.

Cookson Precious Metals Limited

Notes forming part of the financial statements
For the year ended 31 December 2018 (*continued*)

10 Tangible assets

| | Freehold land and buildings £'000 | Long leasehold land and buildings £'000 | Plant and machinery £'000 | Total £'000 |
|-----------------------|--|---|---------------------------------|----------------|
| <i>Cost</i> | | | | |
| At 1 January 2018 | 1,261 | 1,642 | 5,091 | 7,994 |
| Additions | - | - | 792 | 792 |
| Disposals | - | - | (304) | (304) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31 December 2018 | 1,261 | 1,642 | 5,579 | 8,482 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| <i>Depreciation</i> | | | | |
| At 1 January 2018 | 583 | 923 | 2,457 | 3,963 |
| Charge for the year | 21 | 42 | 422 | 485 |
| Disposals | - | - | (304) | (304) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31 December 2018 | 604 | 965 | 2,575 | 4,144 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| <i>Net book value</i> | | | | |
| At 31 December 2018 | 657 | 677 | 3,004 | 4,338 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31 December 2017 | 678 | 719 | 2,634 | 4,031 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

The net book value of land included in Freehold land and buildings is £116,000 (2017 - £116,000).

Cookson Precious Metals Limited

Notes forming part of the financial statements
For the year ended 31 December 2018 (continued)

11 Stocks

| | 2018 £'000 | 2017 £'000 |
|-------------------------------------|---------------|---------------|
| Raw materials and consumables | 233 | 12 |
| Work in progress | 427 | 325 |
| Finished goods and goods for resale | 2,783 | 2,899 |
| | <u>3,443</u> | <u>3,236</u> |

Consignment stock

In addition to the stocks recorded in the Statement of Financial Position, the company held precious metals on consignment terms with a total value at 31 December 2018 of £71.6m (2017 - £63.0m), as explained further below. The company also held precious metals on consignment terms on behalf of customers for processing, the total value of which at 31 December 2018 was £4,934,000 (2017 - £2,691,000).

The company has entered into various precious metal consignment arrangements with precious metal consigning entities ("the Consignors") until the stock is purchased by the company. As the Consignors retain title and associated risks and rewards of ownership under these arrangements, the value of the physical metal held is not recognised in the company Statement of Financial Position. The utilisation of consigned precious metal is established practice in the precious metals industry.

There is no material difference between the replacement cost of stocks and the amounts stated above.

The cost of inventories expensed in the period and included within cost of sales was £247.3m (2017 - £259.4m). Impairment provision at the year-end relating to damaged or obsolete inventories amounted to £364,000 (2017 - £273,000).

12 Debtors

| | 2018 £'000 | 2017 £'000 |
|------------------------------------|---------------|---------------|
| Trade debtors | 3,943 | 3,586 |
| Amounts owed by group undertakings | 1,837 | 248 |
| Prepayments and accrued income | 744 | 443 |
| | <u>6,524</u> | <u>4,277</u> |

All amounts shown under debtors fall due for payment within one year.

The impairment gain recognised in the Statement of Comprehensive Income for the period in respect of bad and doubtful trade debtors was £5,000 (2017 – impairment loss of £12,000).

Cookson Precious Metals Limited

Notes forming part of the financial statements
For the year ended 31 December 2018 (*continued*)

13 Creditors: amounts falling due within one year

| | 2018 £'000 | 2017 £'000 |
|---|---------------|---------------|
| Trade creditors | 2,722 | 1,804 |
| Amounts owed to group undertakings | 611 | 418 |
| Other taxation and social security | 1,255 | 1,075 |
| Corporation tax | 217 | 338 |
| Obligations under finance lease and hire purchase contracts | 7 | 28 |
| Accruals and deferred income | 1,398 | 1,494 |
| | <u>6,210</u> | <u>5,157</u> |

14 Financial instruments

The company's financial instruments may be analysed as follows:

| | 2018 £ | 2017 £ |
|---|--------------|--------------|
| Financial assets | | |
| Financial assets that are debt instruments measured at amortised cost | <u>9,320</u> | <u>9,611</u> |
| Financial liabilities | | |
| Financial liabilities measured at amortised cost | <u>4,731</u> | <u>3,716</u> |

Financial assets measured at amortised cost comprise cash, trade debtors, accrued income and amounts owed by group undertakings.

Financial liabilities measured at amortised cost comprise trade creditors, amounts owed to group undertakings and accruals.

Cookson Precious Metals Limited

Notes forming part of the financial statements
For the year ended 31 December 2018 (*continued*)

15 Provisions for liabilities

| | 2018 £'000 | 2017 £'000 |
|----------------------------|---------------|---------------|
| At 1 January | 373 | 207 |
| Charged to profit and loss | 3 | 166 |
| | <hr/> | <hr/> |
| At 31 December | 376 | 373 |
| | <hr/> | <hr/> |

The deferred taxation balance is made up as follows:

| | 2018 £'000 | 2017 £'000 |
|--------------------------------|---------------|---------------|
| Fixed asset timing differences | 376 | 373 |
| | <hr/> | <hr/> |
| At 31 December | 376 | 373 |
| | <hr/> | <hr/> |

Deferred tax

All deferred tax liabilities were recognised as at the year ended 31 December 2018.

16 Share capital

| | 2018 £'000 | 2017 £'000 |
|---|---------------|---------------|
| <i>Allotted, called up and fully paid</i> | | |
| 7,000,000 ordinary shares of £1 each | 7,000 | 7,000 |
| | <hr/> | <hr/> |

The profits of the company are available for distribution in respect of each accounting period. In the event of winding-up the company, surplus assets and retained profits of the company after payments of its liabilities are available for distribution amongst members.

17 Reserves

Share capital

This reserve relates to the share capital issued to shareholders at nominal value.

Profit and loss account

This reserve relates to the cumulative net gains and losses recognised in the Statement of Comprehensive Income, net of dividends paid.

Cookson Precious Metals Limited

Notes forming part of the financial statements For the year ended 31 December 2018 (continued)

18 Pension commitments

The company operates a defined contribution 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 and amounted to £624,000 (2017 - £594,000). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

19 Commitments under operating leases

As at 31 December 2018, the company had future minimum lease payments under non-cancellable operating leases as set out below:

| | 2018 £'000 | 2017 £'000 |
|--|---------------|---------------|
| Not later than 1 year | 205 | 185 |
| Later than 1 year and not later than 5 years | 601 | 531 |
| Later than 5 years | 408 | 529 |
| | <hr/> | <hr/> |
| | 1,214 | 1,245 |
| | <hr/> | <hr/> |

20 Contingent liabilities

The company is a party to a historic guarantee of £400,000 in favour of HMRC within their banking facility dating back to 2000.

21 Controlling party

The company is a subsidiary of L Possehl & Co. mbH which is the ultimate parent company incorporated in Germany.

The largest group in which the results of the company are considered is that headed by L. Possehl & Co. mbH, incorporated in Germany. The smallest group in which they are consolidated is that headed by Heimerle & Meule GmbH, incorporated in Germany. The consolidated accounts are available to the public and may be obtained from Beckergrube 38-52, 23552 Lubeck, Germany.