

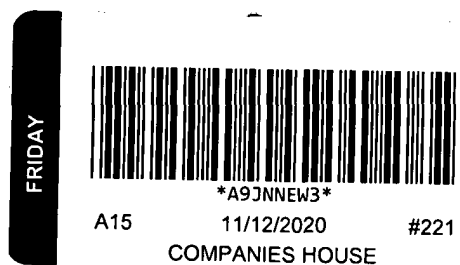
Cookson Precious Metals Limited

Report and Financial Statements

Year Ended

31 December 2019

Company Number 02775187



IBDO

Cookson Precious Metals Limited

Report and financial statements for the year ended 31 December 2019

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Directors

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 2019

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2019.

Business review

As shown in the company's Statement of Comprehensive Income on page 9, the company's turnover increased from £266.0m to £357.6m due to higher precious metal commodity prices, particularly gold where the average price was 15% higher than 2018. The main factor affecting the increased turnover result is higher volumes of precious metal recycling, which is particularly sensitive to the relative price movements of precious metals. Additionally sales through our Multi-Channel operation continues to show good growth of 8% year on year, and the company has benefitted from the 2018 acquisition of a UK jewellery business to the Heimerle + Meule Group which has boosted intercompany sales in traditional bullion products.

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 2019 are £11,988k (2018 - £11,044k).

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 company's policy is to ensure that it always has sufficient cash to allow it to meet its liabilities when they become due. This risk is managed through budgeting and forecasting and a regular review of cash requirements.

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 2019 (*continued*)

Financial key performance indicators

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

	2019	2018
Turnover (£'000)	357,628	265,998
Gross profit (£'000)	17,047	15,190
Gross profit margin	4.8%	5.7%
Net profit margin	0.8%	0.9%

Environment

The company recognises 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.

Going concern

At the year end the company had net current assets of £7,965,000 (2018: £7,082,000), net assets of £11,988,000 (2018: £11,044,000) and cash at bank and in hand of £5,131,000 (2018: £3,325,000). In determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the Company can continue in operational existence for a period of at least 12 months from the date of the approval of the financial statements.

The Company is funded by cash flows generated from trading. The company does have access to a bank overdraft facility of £10m which is shared with other group companies and guaranteed by the ultimate parent company. The facility is uncommitted and the bank may at any time immediately cancel the facility and/or reduce the limit. The facility is reviewed by the bank on a regular basis (at least annually) and is currently being renewed. The bank have provided verbal assurance to the Directors of the group companies that have access to this facility that they do not see any reasons why this overdraft renewal will not be approved on the same terms.

The Directors have prepared a profit and cash flow forecast ("the forecast") for the period to 31 December 2021 ("the forecast period") which shows the trading and cash position for the forecast period. The forecast shows that the Company will be able to operate and meet its external liabilities as they fall due for payment during the forecast period within their own cash reserves without the need to utilise the bank overdraft facility and will continue to have substantial headroom on these cash reserves.

The Directors consider that the risk and impact of Covid-19 on the Company is still difficult to assess given the ongoing containment and mitigation measures, such as regional lock-downs, imposed by government. The timing of the return to normal trading and revenue generation is still not clear, there remains the risk of further lock-downs (regionally or nationally) that could further impact revenues, and there is difficulty in forecasting during a period of such significant change with key impacts not fully known. Given the geographic coverage of the business, the Directors do not consider that there will be significant down-side implications resulting from the exit from the European Union.

Although the business was closed for a short period at the start of the pandemic, the business has since been in operation throughout, although not at full capacity. The Company moved quickly to ensure a safe working environment for all employees and have not suffered from any significant staff absences as a result of the pandemic.

Given the uncertainties in forecasting in this period, although the Directors have considered certain sensitivities to identify possible key pressure points on the cash flows of the Company during the forecast period and considered mitigating actions that they can put in place if required, they have decided not to rely on these for the purposes of these financial statements. The Directors remain of the view that the forecast presents a reasonable assessment of trading and cash flows over the forecast period.

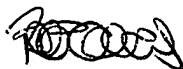
Cookson Precious Metals Limited

Strategic Report for the year ended 31 December 2019 (*continued*)

Going concern (continued)

After careful consideration of the above factors and other factors connected to the impact of Covid-19, the Directors consider that the forecasts prepared to 31 December 2021 are achievable. Given the strength of the balance sheet and the available cash balances the Directors consider that whilst uncertainty exists, this does not pose a material uncertainty that would cast doubt on the Company's ability to continue to operate and meet its liabilities as they fall due for payment throughout the forecast period, which is a period of at least 12 months from signing of the accounts. On this basis, the Directors consider that it is appropriate to prepare the financial statements on a going concern basis.

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



P W Evans
Director

07 December 2020

Cookson Precious Metals Limited

Directors' Report for the year ended 31 December 2019

The directors present their report and the financial statements for the year ended 31 December 2019.

Results and dividends

The profit for the year, after taxation, amounted to £2,444,000 (2018 - £2,071,000).

A £1,500,000 dividend has been paid during the year (2018 - £2,750,000). The directors have not proposed the payment of a final dividend (2018 - £Nil).

Directors

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

S J Bate (resigned 31 July 2019)
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.

Cookson Precious Metals Limited

Directors' Report for the year ended 31 December 2019 (continued)

Research and Development

L. Possehl & Co GmbH 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.

Post balance sheet events

In December 2019 cases of a novel corona virus ("COVID-19") in Wuhan, China were reported to the World Health Organization ("WHO") and subsequently spread worldwide. The WHO announced COVID-19 as a global health emergency on 30 January 2020, which prompted national governments to begin putting actions in place to slow the spread of COVID-19 worldwide. On 11 March 2020, the WHO declared COVID-19 a global pandemic and recommended containment and mitigation measures. Given that the declaration of a global health emergency did not happen until January 2020 the impacts of COVID-19 are considered by the Directors (as supported by relevant accounting authorities) as being non-adjusting events for the Company.

The Company moved quickly to ensure a safe working environment for employees and have not suffered from any significant staff absences as a result of the pandemic. Certain staff have been placed on furlough using the various Governments' Job Retention Schemes during the period to the date of these financial statements, although operations and trading have been maintained throughout the peak impact of COVID-19, albeit at reduced levels. Further plans are now being put in place to expand operations and trading. Information on recent and forecast trading is included in the going concern statement in note 1 to the financial statements.

From a financial perspective activity has reduced due to lockdown which may reduce income however, as detailed in note 1, the Directors are satisfied that the Company is a going concern.

Based on forecasts prepared for the period to 31 December 2021 and the nature of the assets concerned the directors do not consider that there will be any significant impairments of non-financial assets at next year end. However, it is noted that the issues and uncertainties connected to Covid-19 remain in place and the impact on asset values will be monitored.

There have been no other significant events affecting the company since the year end.

Disclosure of information to auditors

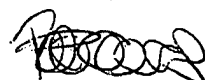
Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- 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.

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 7/12/20 and signed on its behalf.



**P W Evans
Director**

Cookson Precious Metals Limited

Directors' Responsibilities Statement for the year ended 31 December 2019

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.

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 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and 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 2019 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 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.

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 this regard.

Cookson Precious Metals Limited

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

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and 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 Directors' Report.

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

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

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

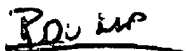
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:
<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Cookson Precious Metals Limited

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



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

Date 9 December 2020

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 2019

	Note	2019 £'000	2018 £'000
Turnover	3	357,628	265,998
Cost of sales		(340,581)	(250,808)
Gross profit		17,047	15,190
Distribution costs		(9,433)	(8,602)
Administrative expenses		(3,284)	(3,085)
Operating profit	4	4,330	3,503
Interest payable and similar charges	7	(1,363)	(978)
Interest received and similar income		39	-
Profit before tax		3,006	2,525
Taxation on profit	9	(562)	(454)
Profit for the year		2,444	2,071
Total comprehensive income for the year		2,444	2,071

There were no recognised gains and losses for 2019 or 2018 other than those included in the Statement of Comprehensive income.

All amounts relate to continuing activities.

The notes on pages 13 to 26 form part of these financial statements.

Cookson Precious Metals Limited

Statement of Financial Position As at 31 December 2019

Company number 02775187	Note	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Fixed assets					
Tangible assets	10		4,412		4,338
Current assets					
Stocks	11	4,548		3,443	
Debtors	12	5,367		6,524	
Cash at bank and in hand		5,131		3,325	
		<u>15,046</u>		<u>13,292</u>	
Creditors: amounts falling due within one year	13	(7,081)		(6,210)	
Net current assets			<u>7,965</u>		<u>7,082</u>
Total assets less current liabilities			<u>12,377</u>		<u>11,420</u>
Provision for liabilities	15		(389)		(376)
Net assets			<u>11,988</u>		<u>11,044</u>
Capital and reserves					
Called up share capital	16		7,000		7,000
Profit and loss account	17		4,988		4,044
Shareholders' funds			<u>11,988</u>		<u>11,044</u>

The financial statements were approved by the Board of Directors and authorised for issue on 07 December 2020



P W Evans
Director

The notes on pages 13 to 26 form part of these financial statements.

Cookson Precious Metals Limited

Statement of Changes in Equity For the year ended 31 December 2019

	Share capital £'000	Retained earnings £'000	Total equity £'000
At 1 January 2019	7,000	4,044	11,044
Comprehensive income for the year			
Profit for the year	-	2,444	2,444
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	2,444	2,444
Dividends paid (note 8)	-	(1,500)	(1,500)
	<hr/>	<hr/>	<hr/>
Total transactions with owners	-	(1,500)	(1,500)
	<hr/>	<hr/>	<hr/>
At 31 December 2019	7,000	4,988	11,988
	<hr/>	<hr/>	<hr/>

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
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	2,071	2,071
Dividends paid (note 8)	-	(2,750)	(2,750)
	<hr/>	<hr/>	<hr/>
Total transactions with owners	-	(2,750)	(2,750)
	<hr/>	<hr/>	<hr/>
At 31 December 2018	7,000	4,044	11,044
	<hr/>	<hr/>	<hr/>

The notes on pages 13 to 26 form part of these financial statements.

Cookson Precious Metals Limited

Notes forming part of the financial statements For the year ended 31 December 2019

1 Accounting policies

1.1 Company information

Cookson Precious Metals Limited is a private company limited by shares, 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); and
- The requirements of Section 33; Related Party Disclosures paragraph 33.7.

The preparation of financial statements for the year ended 31 December 2019 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

At the year end the company had net current assets of £7,965,000 (2018: £7,082,000), net assets of £11,988,000 (2018: £11,044,000) and cash at bank and in hand of £5,131,000 (2018: £3,325,000). In determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the Company can continue in operational existence for a period of at least 12 months from the date of the approval of the financial statements.

The Company is funded by cash flows generated from trading. The company does have access to a bank overdraft facility of £10m which is shared with other group companies and guaranteed by the ultimate parent company. The facility is uncommitted and the bank may at any time immediately cancel the facility and/or reduce the limit. The facility is reviewed by the bank on a regular basis (at least annually) and is currently being renewed. The bank have provided verbal assurance to the Directors of the group companies that have access to this facility that they do not see any reasons why this overdraft renewal will not be approved on the same terms.

The Directors have prepared a profit and cash flow forecast ("the forecast") for the period to 31 December 2021 ("the forecast period") which shows the trading and cash position for the forecast period. The forecast shows that the Company will be able to operate and meet its external liabilities as they fall due for payment during the forecast period within their own cash reserves without the need to utilise the bank overdraft facility and will continue to have substantial headroom on these cash reserves.

Cookson Precious Metals Limited

Notes forming part of the financial statements For the year ended 31 December 2019

1.3 Going concern (*continued*)

The Directors consider that the risk and impact of Covid-19 on the Company is still difficult to assess given the ongoing containment and mitigation measures, such as regional lock-downs, imposed by government. The timing of the return to normal trading and revenue generation is still not clear, there remains the risk of further lock-downs (regionally or nationally) that could further impact revenues, and there is difficulty in forecasting during a period of such significant change with key impacts not fully known. Given the geographic coverage of the business, the Directors do not consider that there will be significant down-side implications resulting from the exit from the European Union.

Although the business was closed for a short period at the start of the pandemic, the business has since been in operation throughout, although not at full capacity. The Company moved quickly to ensure a safe working environment for all employees and have not suffered from any significant staff absences as a result of the pandemic.

Given the uncertainties in forecasting in this period, although the Directors have considered certain sensitivities to identify possible key pressure points on the cash flows of the Company during the forecast period and considered mitigating actions that they can put in place if required, they have decided not to rely on these for the purposes of these financial statements. The Directors remain of the view that the forecast presents a reasonable assessment of trading and cash flows over the forecast period.

After careful consideration of the above factors and other factors connected to the impact of Covid-19, the Directors consider that the forecasts prepared to 31 December 2021 are achievable. Given the strength of the balance sheet and the available cash balances the Directors consider that whilst uncertainty exists, this does not pose a material uncertainty that would cast doubt on the Company's ability to continue to operate and meet its liabilities as they fall due for payment throughout the forecast period, which is a period of at least 12 months from signing of the accounts. On this basis, the Directors consider that it is appropriate to prepare the financial statements on a going concern basis.

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 2019 (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 2019 (*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 2019 (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 2019 (*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 2019 (continued)

3 Turnover

Analysis of turnover by country of destination:

	2019 £'000	2018 £'000
United Kingdom	348,824	258,314
Rest of Europe	8,101	7,085
Rest of the world	703	599
	<u>357,628</u>	<u>265,998</u>

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

4 Operating profit

This has been arrived at after charging/(crediting);

	2019 £'000	2018 £'000
Depreciation of tangible fixed assets (note 10)	541	485
Exchange differences	(122)	(157)
Fees payable to the company's auditor for the audit of the company's annual financial statements	36	34
Fees payable to the company's auditor for taxation compliance services	6	5
Fees payable to the company's auditor for other non-audit services	27	19
Defined contribution pension scheme (note 5)	666	624
Operating lease cost	249	219
	<u></u>	<u></u>

5 Employees

Staff costs, including directors' remuneration, were as follows:

	2019 £'000	2018 £'000
Wages and salaries	7,228	6,705
Social security costs	599	583
Costs of defined contribution pension scheme	666	624
	<u>8,493</u>	<u>7,912</u>

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

	2019 Number	2018 Number
Production	54	55
Administration and selling	165	161
	<u>219</u>	<u>216</u>

Cookson Precious Metals Limited

Notes forming part of the financial statements
For the year ended 31 December 2019 (continued)

6 Directors' remuneration

	2019 £'000	2018 £'000
Directors' emoluments	381	439
Company contributions to defined contribution pension schemes	48	37
	<u>429</u>	<u>476</u>

During the year retirement benefits were accruing to 2 directors (2018 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £151,000 (2018 - £190,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £24,000 (2018 - £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 £478,000 (2018 - £528,000).

7 Interest payable and similar charges

	2019 £'000	2018 £'000
Precious metal consignment interest	1,363	978
	<u>1,363</u>	<u>978</u>

8 Dividends

	2019 £'000	2018 £'000
Dividends paid on equity capital:		
Interim dividends paid of 21.43p (2018 - 39.29p) per share	1,500	2,750
	<u>1,500</u>	<u>2,750</u>

Cookson Precious Metals Limited

Notes forming part of the financial statements
For the year ended 31 December 2019 (*continued*)

9 Taxation on profit

	2019 £'000	2018 £'000
<i>UK corporation tax</i>		
Current tax on profits of the period	549	450
<i>Deferred tax</i>		
Origination and reversal of timing differences	6	9
Change in tax rate	7	(5)
	<hr/>	<hr/>
Total deferred tax	13	4
	<hr/>	<hr/>
Taxation on profit	562	454
	<hr/>	<hr/>

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% (2018 - 19%). The differences are explained below:

	2019 £'000	2018 £'000
Profit before tax	3,006	2,525
	<hr/>	<hr/>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19% (2018 - 19%)	571	480
Effects of:		
Expenses not deductible for tax purposes	5	4
Change in tax rate	(14)	(4)
Tax credits on R&D expenditure	-	(26)
	<hr/>	<hr/>
Total tax charge for the year	562	454
	<hr/>	<hr/>

Factors that may affect future tax charges

A deferred tax asset has been recognised for capital allowances and short term timing differences (see note 10).

The Finance Act 2016, enacted on 15 September 2016, reduces the company's main rate of corporation tax to 17% for years commencing 1 April 2020. Deferred tax has been calculated at 17%.

Since the year end, on 17 March 2020, it has been announced that the tax rate will remain at 19%, however as this has not been substantively enacted, no change in rate has been applied.

Cookson Precious Metals Limited

Notes forming part of the financial statements
For the year ended 31 December 2019 (*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 2019	1,261	1,642	5,579	8,482
Additions	-	-	621	621
Disposals	-	-	(35)	(35)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2019	1,261	1,642	6,165	9,068
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At 1 January 2019	604	965	2,575	4,144
Charge for the year	21	42	478	541
Disposals	-	-	(29)	(29)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2019	625	1,007	3,024	4,656
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 31 December 2019	636	635	3,141	4,412
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2018	657	677	3,004	4,338
	<hr/>	<hr/>	<hr/>	<hr/>

The net book value of land included in Freehold land and buildings is £116,000 (2018 - £116,000).

Cookson Precious Metals Limited

Notes forming part of the financial statements
For the year ended 31 December 2019 (continued)

11 Stocks

	2019 £'000	2018 £'000
Raw materials and consumables	994	233
Work in progress	566	427
Finished goods and goods for resale	2,988	2,783
	<u>4,548</u>	<u>3,443</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 2019 of £75.4m (2018 - £71.6m), 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 2019 was £9.2m (2018 - £4.9m).

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 £337.0m (2018 - £247.3m). Impairment provision at the year-end relating to damaged or obsolete inventories amounted to £391,000 (2018 - £364,000).

12 Debtors

	2019 £'000	2018 £'000
Trade debtors	4,209	3,943
Amounts owed by group undertakings	504	1,837
Prepayments and accrued income	654	744
	<u>5,367</u>	<u>6,524</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 £17,000 (2018 - £5,000).

Cookson Precious Metals Limited

Notes forming part of the financial statements
For the year ended 31 December 2019 (*continued*)

13 Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Trade creditors	2,885	2,722
Amounts owed to group undertakings	669	611
Other taxation and social security	1,397	1,255
Corporation tax	189	217
Obligations under finance lease and hire purchase contracts	5	7
Accruals and deferred income	1,936	1,398
	<u>7,081</u>	<u>6,210</u>

14 Financial instruments

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

	2019 £	2018 £
Financial assets		
Financial assets that are debt instruments measured at amortised cost	<u>9,844</u>	<u>9,320</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>5,490</u>	<u>4,731</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 2019 (continued)

15 Provisions for liabilities

	2019 £'000	2018 £'000
At 1 January	376	373
Charged to profit and loss	13	3
	<hr/>	<hr/>
At 31 December	389	376
	<hr/>	<hr/>

The deferred taxation balance is made up as follows:

	2019 £'000	2018 £'000
Fixed asset timing differences	389	376
	<hr/>	<hr/>
At 31 December	389	376
	<hr/>	<hr/>

Deferred tax

All deferred tax liabilities were recognised as at the year ended 31 December 2019.

16 Share capital

	2019 £'000	2018 £'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 2019 (*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 £666,000 (2018 - £624,000). 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 2019, the company had future minimum lease payments under non-cancellable operating leases as set out below:

	2019 £'000	2018 £'000
Not later than 1 year	225	205
Later than 1 year and not later than 5 years	689	601
Later than 5 years	968	408
	<hr/>	<hr/>
	1,882	1,214
	<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.

22 Subsequent events

In December 2019 cases of a novel corona virus ("COVID-19") in Wuhan, China were reported to the World Health Organization ("WHO") and subsequently spread worldwide. The WHO announced COVID-19 as a global health emergency on 30 January 2020, which prompted national governments to begin putting actions in place to slow the spread of COVID-19 worldwide. On 11 March 2020, the WHO declared COVID-19 a global pandemic and recommended containment and mitigation measures. Given that the declaration of a global health emergency did not happen until January 2020 the impacts of COVID-19 are considered by the Directors (as supported by relevant accounting authorities) as being non-adjusting events for the Company.

The Company moved quickly to ensure a safe working environment for employees and have not suffered from any significant staff absences as a result of the pandemic. Certain staff have been placed on furlough using the various Governments' Job Retention Schemes during the period to the date of these financial statements, although operations and trading have been maintained throughout the peak impact of COVID-19, albeit at reduced levels. Further plans are now being put in place to expand operations and trading. Information on recent and forecast trading is included in the going concern statement in note 1 to the financial statements.

From a financial perspective activity has reduced due to lockdown which may reduce income however, as detailed in note 1, the Directors are satisfied that the Company is a going concern. There have been no other significant events affecting the company since the year end.