

JEWELLERY QUARTER BULLION LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2018

WEDNESDAY



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JEWELLERY QUARTER BULLION LIMITED

COMPANY INFORMATION

| | |
|----------------------------|---|
| Directors | R Halliday-Stein A E Smiley K G Edelman |
| Registered number | 06758398 |
| Registered office | Centre City Tower Floor 16 7 Hill Street Birmingham B5 4UA |
| Independent auditor | Grant Thornton UK LLP Statutory Auditor, Chartered Accountants The Colmore Building 20 Colmore Circus Birmingham West Midlands B4 6AT |
| Bankers | Barclays Bank Plc Edgbaston Birmingham West Midlands B15 2TT |

JEWELLERY QUARTER BULLION LIMITED

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JEWELLERY QUARTER BULLION LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2018

Introduction

The directors present their Strategic report for the year ended 30 April 2018.

Business review and future developments

Significant progress has been made in the year as we continue to invest for growth, with the launch of our first international websites serving the Irish and French markets as well as a pan-European site. We are pleased with the rapid progress made in the jewellery websites.

Due to the significant investment in new websites and infrastructure and a quieter global bullion market profit before tax has reduced to £1.6m from £4.1m. Turnover was £103.9m (2017: £125.1m).

The company remains focussed on developing our brands, as well as the platform, infrastructure and our people in order to support our growth.

The board looks forward with confidence to future progress.

Principal risks and uncertainties

The company's principal financial instruments comprise cash. The main purpose of these financial instruments is to raise finance for the company's operations. The company has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations. The company does not enter into derivative transactions.

The main risks arising from the company's financial instruments are credit risk and commodity price risk. The board reviews and agrees policies for managing each of these risks and they are summarised below:

Credit risk

The company trades only with creditworthy third parties, and these are monitored regularly. The company does not offer any credit terms to customers, reducing any credit risk.

Commodity price risk

The company does have exposure to the global market price of precious metals. This position is monitored constantly and the board does have a strategy in place to reduce this exposure if required.

Working capital, including precious metal stocks, is funded through internally generated funds and given the financial strength of the business it is well placed to mitigate this risk exposure.

Financial key performance indicators

The Directors monitor a range of key financial performance indicators, principally:

| | 2018 | 2017 |
|-------------------|-------|-------|
| Turnover | £104m | £125m |
| Gross Margin | £6.4m | £8.5m |
| Profit Before Tax | £1.6m | £4.1m |

JEWELLERY QUARTER BULLION LIMITED

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 APRIL 2018

This report was approved by the board on 29 January 2019 and signed on its behalf.



R Halliday-Stein
Director

JEWELLERY QUARTER BULLION LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 APRIL 2018

The directors present their report and the financial statements for the year ended 30 April 2018.

Results and dividends

The profit for the year, after taxation, amounted to £1,367,478 (2017: £3,307,673).

Dividends of £nil (2017: £2,000,000) were paid during the year.

Directors

The directors who served during the year were:

R Halliday-Stein
A E Smiley
K G Edelman

Charitable contributions

The company's charitable contributions during the year were £490 (2017: £170).

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs 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 for the company's financial statements 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

JEWELLERY QUARTER BULLION LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 APRIL 2018**

Matters covered in the strategic report

For a review of the business and details of financial risk objectives and policies please refer to the strategic report.

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 the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the 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.

Auditor

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

This report was approved by the board on *29 January 2019* and signed on its behalf.



R Halliday-Stein
Director



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF JEWELLERY QUARTER BULLION LIMITED

Opinion

We have audited the financial statements of Jewellery Quarter Bullion Limited for the year ended 30 April 2018, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 April 2018 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 United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

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 Auditors' 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.

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.



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF JEWELLERY QUARTER BULLION LIMITED (CONTINUED)

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' 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.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

Matters on which we are required to report by exception

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.
-



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF JEWELLERY QUARTER BULLION LIMITED
(CONTINUED)**

Responsibilities of directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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



David White BA FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham
Date: 29/1/19

JEWELLERY QUARTER BULLION LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 APRIL 2018**

| | Note | 2018 £ | 2017 £ |
|--|------|------------------|------------------|
| Turnover | 4 | 103,878,937 | 125,122,050 |
| Cost of sales | | (97,525,003) | 116,580,018 |
| Gross profit | | 6,353,934 | 8,542,032 |
| Distribution costs | | (2,069,292) | (2,093,664) |
| Administrative expenses | | (2,615,755) | (2,261,135) |
| Operating profit | 5 | 1,668,887 | 4,187,233 |
| Interest receivable and similar income | 9 | 16 | 161 |
| Interest payable and expenses | 10 | (71,372) | (120,612) |
| Profit before tax | | 1,597,531 | 4,066,782 |
| Tax on profit | 11 | (230,053) | (759,109) |
| Profit for the financial year | | 1,367,478 | 3,307,673 |

There was no other comprehensive income for 2018 (2017:£NIL).

The notes on pages 12 to 25 form part of these financial statements.

JEWELLERY QUARTER BULLION LIMITED
REGISTERED NUMBER:06758398

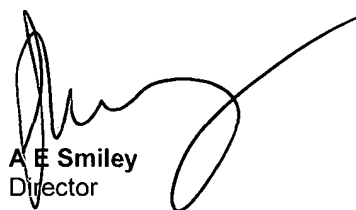
STATEMENT OF FINANCIAL POSITION
AS AT 30 APRIL 2018

| | Note | 2018 £ | 2017 £ |
|--|------|-------------------------|-------------------------|
| Fixed assets | | | |
| Tangible assets | 13 | 182,394 | 138,167 |
| | | <u>182,394</u> | <u>138,167</u> |
| Current assets | | | |
| Stocks | 14 | 4,860,395 | 4,760,582 |
| Debtors: amounts falling due within one year | 15 | 1,418,036 | 1,044,823 |
| Cash at bank and in hand | 16 | 862,281 | 1,174,370 |
| | | <u>7,140,712</u> | <u>6,979,775</u> |
| Creditors: amounts falling due within one year | 17 | (2,053,873) | (3,214,639) |
| Net current assets | | <u>5,086,839</u> | <u>3,765,136</u> |
| Total assets less current liabilities | | <u>5,269,233</u> | <u>3,903,303</u> |
| Provisions for liabilities | | | |
| Deferred tax | 19 | (9,597) | (11,145) |
| | | <u>(9,597)</u> | <u>(11,145)</u> |
| Net assets | | <u><u>5,259,636</u></u> | <u><u>3,892,158</u></u> |
| Capital and reserves | | | |
| Called up share capital | 20 | 1 | 1 |
| Share premium account | 21 | 173,175 | 173,175 |
| Profit and loss account | 21 | 5,086,460 | 3,718,982 |
| | | <u><u>5,259,636</u></u> | <u><u>3,892,158</u></u> |

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



R Halliday-Stein
Director


A E Smiley
Director

29 January 2019

The notes on pages 12 to 25 form part of these financial statements.

JEWELLERY QUARTER BULLION LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 APRIL 2018**

| | Called up share capital | Share premium account | Profit and loss account | Total equity |
|--|----------------------------|-----------------------------|----------------------------|------------------|
| | £ | £ | £ | £ |
| At 1 May 2017 | 1 | 173,175 | 3,718,982 | 3,892,158 |
| Comprehensive income for the year | | | | |
| Profit for the year | - | - | 1,367,478 | 1,367,478 |
| Total comprehensive income for the year | - | - | 1,367,478 | 1,367,478 |
| Total transactions with owners | - | - | - | - |
| At 30 April 2018 | 1 | 173,175 | 5,086,460 | 5,259,636 |

The notes on pages 12 to 25 form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 APRIL 2017**

| | Called up share capital | Share premium account | Profit and loss account | Total equity |
|--|----------------------------|-----------------------------|----------------------------|------------------|
| | £ | £ | £ | £ |
| At 1 May 2016 | 1 | 173,175 | 2,411,309 | 2,584,485 |
| Comprehensive income for the year | | | | |
| Profit for the year | - | - | 3,307,673 | 3,307,673 |
| Total comprehensive income for the year | - | - | 3,307,673 | 3,307,673 |
| Dividends: Equity capital | - | - | (2,000,000) | (2,000,000) |
| Total transactions with owners | - | - | (2,000,000) | (2,000,000) |
| At 30 April 2017 | 1 | 173,175 | 3,718,982 | 3,892,158 |

The notes on pages 12 to 25 form part of these financial statements.

JEWELLERY QUARTER BULLION LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 APRIL 2018**

| | 2018 £ | 2017 £ |
|---|------------------|------------------|
| Cash flows from operating activities | | |
| Profit for the financial year | 1,367,478 | 3,307,673 |
| Adjustments for: | | |
| Depreciation of tangible assets | 58,158 | 67,148 |
| Interest paid | 71,372 | 120,612 |
| Interest received | (16) | (161) |
| Taxation charge | 230,053 | 759,109 |
| (Increase) in stocks | (99,813) | (2,817,700) |
| (Increase) in debtors | (373,213) | (491,893) |
| (Decrease)/increase in creditors | (204,881) | 517,204 |
| Corporation tax (paid) | (623,306) | (649,210) |
| Net cash generated from operating activities | 425,832 | 812,782 |
| Cash flows used in investing activities | | |
| Purchase of tangible fixed assets | (102,385) | (61,848) |
| Sale of tangible fixed assets | - | 4,110 |
| Interest received | 16 | 161 |
| Net cash used in investing activities | (102,369) | (57,577) |
| Cash flows from financing activities | | |
| Directors loan repayment | (564,180) | - |
| Dividends paid | - | (140,061) |
| Interest paid | (71,372) | (120,612) |
| Net cash used in financing activities | (635,552) | (260,673) |
| Net (decrease)/increase in cash and cash equivalents | (312,089) | 494,532 |
| Cash and cash equivalents at beginning of year | 1,174,370 | 679,838 |
| Cash and cash equivalents at the end of year | 862,281 | 1,174,370 |
| Cash and cash equivalents at the end of year comprise: | | |
| Cash at bank and in hand | 862,281 | 1,174,370 |
| | 862,281 | 1,174,370 |

The notes on pages 12 to 25 form part of these financial statements.

JEWELLERY QUARTER BULLION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

1. Company information

Jewellery Quarter Bullion Limited is a private company limited by shares. The company was incorporated in England and is registered in England and Wales. Its registered head office is located at Centre City Tower Floor 16, 7 Hill Street, Birmingham, B5 4UA.

The principal activity of the company during the year was the sale and purchase of precious metals. The financial statements are presented in sterling (£).

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

The following principal accounting policies have been applied:

2.2 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. The following criteria must also be met before revenue is recognised:

Sale of goods

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

- the Company has transferred the significant risk and rewards of ownership to the buyer. This will typically be upon receipt of funds against a valid purchase order; at which point the risks and rewards, any movements in the value of the products are borne by the customer;
- the product has either been despatched or is in the process of being despatched;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

JEWELLERY QUARTER BULLION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

2. Accounting policies (continued)

2.3 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.

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

Depreciation is provided on the following basis:

| | |
|------------------------|--------------------------|
| Motor vehicles | - straight line 25% |
| Fixtures and equipment | - straight line 10 - 33% |

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2.4 Stocks

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

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

2.5 Debtors

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

2.6 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.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the company's cash management.

JEWELLERY QUARTER BULLION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

2. Accounting policies (continued)

2.7 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties and loans to related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.8 Creditors

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

2.9 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.

2.10 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

JEWELLERY QUARTER BULLION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

2. Accounting policies (continued)

2.11 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in 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.

2.12 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

2.13 Provisions for liabilities

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

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

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

JEWELLERY QUARTER BULLION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

2. Accounting policies (continued)

2.14 Current and deferred taxation

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

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

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

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

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

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

There are no key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing material adjustment to the carrying amounts of the assets and liabilities within the next financial year.

4. Turnover

Turnover and profit on ordinary activities before taxation are attributable to the sale and purchase of precious metals.

The directors have opted to not disclose an analysis of turnover by geographical location.

JEWELLERY QUARTER BULLION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2018**

5. Operating profit

The operating profit is stated after charging:

| | 2018 £ | 2017 £ |
|--|---------------|---------------|
| Research & development charged as an expense | 61,750 | 51,786 |
| Depreciation of fixed assets | 58,158 | 67,148 |
| Other operating lease rentals | 63,605 | 72,236 |
| Defined contribution pension costs | 68,344 | 43,942 |
| | <u>68,344</u> | <u>43,942</u> |

6. Auditors' remuneration

| | 2018 £ | 2017 £ |
|---|--------------|--------------|
| Fees payable to the company's auditor and its associates for the audit of the company's annual accounts | 14,000 | 14,000 |
| The auditing of accounts of associates of the company pursuant to legislation | 3,000 | 3,000 |
| Taxation advisory services | 1,000 | 2,530 |
| Assurance related services | 5,750 | 4,000 |
| | <u>5,750</u> | <u>4,000</u> |

7. Employees

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

| | 2018 £ | 2017 £ |
|-------------------------------------|------------------|------------------|
| Wages and salaries | 1,420,988 | 1,207,267 |
| Social security costs | 149,047 | 100,357 |
| Cost of defined contribution scheme | 68,344 | 43,942 |
| | <u>1,638,379</u> | <u>1,351,566</u> |

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

| | 2018 No. | 2017 No. |
|--|-------------|-------------|
| | 38 | 30 |
| | <u>38</u> | <u>30</u> |

JEWELLERY QUARTER BULLION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2018

8. Directors' remuneration

| | 2018 £ | 2017 £ |
|---|----------------|----------------|
| Directors' emoluments | 232,101 | 205,665 |
| Company contributions to defined contribution pension schemes | 39,150 | 20,008 |
| | <u>271,251</u> | <u>225,673</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 £116,572 (2017 - £113,495).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £19,150 (2017: £10,008).

9. Interest receivable

| | 2018 £ | 2017 £ |
|---------------------------|-----------|------------|
| Other interest receivable | <u>16</u> | <u>161</u> |

10. Interest payable and similar expenses

| | 2018 £ | 2017 £ |
|-----------------------------|---------------|----------------|
| Other loan interest payable | 64,312 | 91,299 |
| Other interest payable | 7,060 | 29,313 |
| | <u>71,372</u> | <u>120,612</u> |

JEWELLERY QUARTER BULLION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2018**

11. Taxation

| | 2018 £ | 2017 £ |
|--|----------------|----------------|
| Corporation tax | | |
| Current tax on profits for the year | 235,132 | 759,047 |
| Adjustments in respect of previous periods | (3,531) | 1,041 |
| | <u>231,601</u> | <u>760,088</u> |
| Total current tax | <u>231,601</u> | <u>760,088</u> |
| Deferred tax | | |
| Accelerated capital allowances | - | (979) |
| Origination and reversal of timing differences | (1,548) | - |
| Total deferred tax | <u>(1,548)</u> | <u>(979)</u> |
| Taxation on profit on ordinary activities | <u>230,053</u> | <u>759,109</u> |

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2017: *lower than*) the standard rate of corporation tax in the UK of 19% (2017: 19.92%). The differences are explained below:

| | 2018 £ | 2017 £ |
|---|------------------|------------------|
| Profit on ordinary activities before tax | <u>1,597,531</u> | <u>4,066,782</u> |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.92%) | 303,531 | 810,014 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 1,121 | 461 |
| Additional deduction for research and development expenditure | (61,750) | (51,786) |
| Adjustments to tax charge in respect of prior periods | (3,531) | 1,041 |
| Adjust closing deferred tax to average rate | (818) | (621) |
| Deferred tax not recognised | (8,500) | - |
| Total tax charge for the year | <u>230,053</u> | <u>759,109</u> |

JEWELLERY QUARTER BULLION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2018**

12. Dividends

| | 2018 £ | 2017 £ |
|----------------|-----------|-----------|
| Dividends paid | - | 2,000,000 |

13. Tangible fixed assets

| | Motor vehicles £ | Fixtures & fittings £ | Total £ |
|-------------------------------------|------------------------|-----------------------------|------------|
| Cost | | | |
| At 1 May 2017 | 4,350 | 458,539 | 462,889 |
| Additions | - | 102,385 | 102,385 |
| At 30 April 2018 | 4,350 | 560,924 | 565,274 |
| Depreciation | | | |
| At 1 May 2017 | 1,536 | 323,186 | 324,722 |
| Charge for the year on owned assets | 1,088 | 57,070 | 58,158 |
| At 30 April 2018 | 2,624 | 380,256 | 382,880 |
| Net book value | | | |
| At 30 April 2018 | 1,726 | 180,668 | 182,394 |
| At 30 April 2017 | 2,814 | 135,353 | 138,167 |

JEWELLERY QUARTER BULLION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2018**

14. Stocks

| | 2018 £ | 2017 £ |
|-------------------------------------|------------------|------------------|
| Finished goods and goods for resale | <u>4,860,395</u> | <u>4,760,582</u> |

Stock recognised in cost of sales during the year as an expense was £97,525,003 (2017: £116,580,018)

An impairment loss of £Nil (2017: £Nil) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

15. Debtors

| | 2018 £ | 2017 £ |
|---------------------------------|------------------|------------------|
| Trade debtors | 691,446 | 586,890 |
| Amounts owed by related parties | 593,222 | 323,958 |
| Other debtors | 133,368 | 133,975 |
| | <u>1,418,036</u> | <u>1,044,823</u> |

An impairment charge of £Nil (2017: £Nil) was recognised against trade debtors.

16. Cash and cash equivalents

| | 2018 £ | 2017 £ |
|--------------------------|----------------|------------------|
| Cash at bank and in hand | <u>862,281</u> | <u>1,174,370</u> |

17. Creditors: Amounts falling due within one year

| | 2018 £ | 2017 £ |
|------------------------------------|------------------|------------------|
| Trade creditors | 372,716 | 501,613 |
| Directors' loan accounts | 1,139,153 | 1,703,333 |
| Corporation tax | 19,554 | 411,259 |
| Other taxation and social security | 210,096 | 242,562 |
| Other creditors | 128,045 | 128,594 |
| Accruals and deferred income | 184,309 | 227,278 |
| | <u>2,053,873</u> | <u>3,214,639</u> |

JEWELLERY QUARTER BULLION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2018**

18. Financial instruments

| | 2018 £ | 2017 £ |
|---|--------------------|--------------------|
| Financial assets | | |
| Cash and cash equivalents | 862,281 | 1,174,370 |
| Financial assets that are debt instruments measured at amortised cost | 1,343,410 | 868,667 |
| | <u>2,205,691</u> | <u>2,043,037</u> |
| Financial liabilities | | |
| Financial liabilities measured at amortised cost | <u>(1,824,223)</u> | <u>(2,560,818)</u> |

Financial assets measured at amortised cost comprise trade debtors, other debtors and amounts due from related parties.

Financial liabilities measured at amortised cost comprise trade creditors, other creditors, amounts owed to related parties and accruals.

19. Deferred taxation

| | 2018 £ |
|---------------------------|----------------|
| At beginning of year | (11,145) |
| Charged to profit or loss | 1,548 |
| At end of year | <u>(9,597)</u> |

The provision for deferred taxation is made up as follows:

| | 2018 £ | 2017 £ |
|--------------------------------|----------------|-----------------|
| Fixed asset timing differences | <u>(9,597)</u> | <u>(11,145)</u> |

JEWELLERY QUARTER BULLION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2018**

20. Share capital

| | 2018 £ | 2017 £ |
|---|-----------|-----------|
| Shares classified as equity | | |
| Allotted, called up and fully paid | | |
| 111,000 (2017 - 111,000) Ordinary shares of £0.00001 each | 1 | 1 |
| | <u>1</u> | <u>1</u> |

21. Reserves

Share premium

Includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Profit and loss account

Includes all current and prior period retained profits and losses.

22. Capital commitments

At 30 April 2018 the company had capital commitments of £34,339 (2017: £Nil)

23. Pension commitments

The company operates a defined contribution pension scheme in respect of its employees. The scheme and its assets are administered by independent managers. The pension scheme charge represents contributions paid from the company and amounted to £68,343 (2017: £43,942).

24. Commitments under operating leases

At 30 April 2018 the company had future minimum lease payments under non-cancellable operating leases as follows:

| | Land and buildings 2018 £ | Land and buildings 2017 £ |
|-----------------------|------------------------------------|------------------------------------|
| Not later than 1 year | 47,660 | 42,819 |
| Between 2 and 5 years | 174,114 | 4,458 |
| | <u>221,774</u> | <u>47,277</u> |

JEWELLERY QUARTER BULLION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

25. Share options

In April 2011, the company issued 21,110 share options to five employees, which vest in equal installments annually over three years with an exercise price of £10.20. The share options will be settled through the transfer of existing ordinary shares. At 30 April 2018, 17,777 of these options had been exercised in total (30 April 2017: 17,777).

In December 2011, the company issued a further 8,778 share options to three employees with the same conditions and an exercise price of £25 per share. The share options will be settled through the allotment of new ordinary share capital. During the year, 0 (2017: 0 options) options were exercised. On 30 April 2018, 2,395 of these options had been exercised (2017: 2,395).

The options issued by the company are not subject to the achievement of performance conditions.

26. Related party transactions

Transactions with the directors

The directors of the company received dividends during the year as follows:

Mr R Halliday-Stein - £Nil (2017: £1,468,363)

Mr A E Smiley - £Nil (2017: £391,556)

Included in creditors is an amount of £673,595 due to R Halliday Stein at 30 April 2018 (2017: £1,116,091). Interest of £39,192 (2017: £68,250) was charged in the year on this director's loan account balance. Included in creditors is an amount of £465,558 due to A E Smiley at 30 April 2018 (2017: £587,242). Interest of £25,120 (2017: £23,049) was charged in the year on this director's loan account balance. During the year purchases of £Nil (2017: £1,583,778) were made from R Halliday Stein and £Nil (2017: £421,510) from A E Smiley at arm's length.

Related companies

The following companies are related parties due to common directorship by Mr R Halliday-Stein (director of Jewellery Quarter Bullion Limited):

Online Advantage Limited (OLA)
Online Precision Limited (OPL)
Holosphere Limited (HL)
Smartinstall Limited (SL)
Swish Commercial Laundry Limited (SCL)
Inside Out Ventures Limited (IOV)

JEWELLERY QUARTER BULLION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2018**

During the period the following transactions took place with the above companies.

Sales and recharges during the year:

OLA £Nil (2017: £114)

HL £224,670 (2017: £229,798)

SL £19 (2017: £33,987)

SCL £25,636 (2017: £Nil)

IOV £26 (2017: £Nil)

The following balances were owed by / to as at 30 April 2018:

OLA £18,005 debtor (2017: £17,992 debtor)

HL £473,468 debtor (2017: £229,798 debtor)

SL £33,906 debtor (2017: £33,987 debtor)

SCL £26,203 debtor (2017: £Nil)

IOV £41,640 debtor (2017: £42,181 debtor)

Key management is considered to be the directors only and the remuneration of the directors is disclosed in note 8.

27. Controlling party

The company is ultimately controlled by Mr R Halliday-Stein, a director and majority shareholder of the company.