

# Metalor Technologies (UK) Limited

Reports and Financial Statements

31 December 2016



## **Company Information**

### **Directors**

S A Burling  
A de Montmollin  
P Royer

### **Secretary**

S A Burling

### **Auditors**

Ernst & Young LLP  
No. 1 Colmore Square  
Birmingham B4 6HQ

### **Registered Office**

74 Warstone Lane  
Hockley  
Birmingham B18 6NG

## Strategic Report

The directors present their strategic report for the year ended 31 December 2016.

### Principal activities and review of the business

The company is a wholly owned subsidiary of Metalor Technologies International SA, (**MTSA**) and acts as principal in purchasing and selling of precious metal products which are sourced both externally and from within the Metalor Technologies group. In September 2016 the entire issued share capital of MTSA was acquired by Tanaka Holdings Co Ltd of Japan from Astorg Partners of Paris.

Turnover, foreign exchange gains (see Foreign currency risk below), operating profits and pre-tax profits have shown significant recovery from the previous year. Metal prices have stabilised in the market place, and this is particularly reflected in the strong final quarter sales in the year. This positive trend is continuing into 2017.

The company's key financial figures are detailed below:

|                               | 2016<br>£000 | 2015<br>£000 | Change<br>% |
|-------------------------------|--------------|--------------|-------------|
| Turnover                      | 222,749      | 162,000      | 37.5        |
| Foreign Exchange Gain/(Loss)  | 1,415        | (401)        | 452.9       |
| Operating profit              | 1,907        | (90)         | 2,218.9     |
| Profit/(Loss) before taxation | 1,776        | (237)        | 849.4       |
| Shareholders' funds           | 1,527        | 90           | 1,597.0     |

### Principal risks and uncertainties

The company has identified the principal risks that it faces, along with its policies to mitigate these risks as:

#### Foreign currency risk

The company buys and sells goods and services denominated in currencies other than Sterling. As a result, the value of the business non-Sterling denominated revenues, purchases, financial assets and liabilities and cash flows can be affected by movements in exchange rates. The principal exchange risk is managed at group level. All precious metal supplies are priced in the currency of the customer, and the majority of intercompany charges are in Sterling. Despite the principal exchange risk being managed at Group level, the company is left with the residual risk relating to foreign currency debtors and creditors. This is the difference between the rate prevailing at the date of invoice posting, and the actual rate at the date of payment. In the year 2016, as a result of the Brexit referendum, this amount is significant.

## Strategic Report (continued)

### Principal risks and uncertainties (continued)

#### Credit risk

In the normal course of business, the company sells items on deferred terms to other parties. Any risk associated with these third parties failing to honour their obligations arising from these transactions is minimised through rigorous credit control procedures with deferred terms only being granted to customers who demonstrate an appropriate payment history and satisfy other financial requirements. Individual exposures are continuously monitored on a customer by customer basis to ensure that exposure to bad debts is minimised. As a result of this, goods may sometimes only be supplied on a cash-with-order basis or supply declined entirely.

#### Metal price risk

In the normal course of business, the company and its customers and suppliers would be exposed to fluctuations in metal prices. The company mitigates this risk by operating on a consignment/leasing basis in respect of the fine metal content of inventories held in the UK and by the use of metal hedging to eliminate metal price fluctuations from overall transactions recorded by the company.

The company maintains metal accounts with its suppliers and qualifying customers on a consignment basis so that the risk of metal price movements does not lie with the company. These metal accounts are held off balance sheet as the principal risks relating to these financial statements are not borne by the company. The company is exposed to default risk on customer metal accounts in the event that metal owed to the company cannot be recovered. Where necessary, provision is held to cover this risk.

#### Funding and liquidity

The Company has entered into cash pooling arrangements with its parent company whereby certain bank balances are automatically transferred to, or from, the Company on a daily basis. The parent company continually monitors the financial position of the entity, its cash flows, liquidity position and borrowing facilities. Consequently, the directors believe that the Company and the parent company are well placed to manage business risks successfully despite the current uncertain economic outlook. As described in the Going concern section of the Directors' report, the Company continues rely on financial support of its parent undertaking.

#### Brexit risk

Following the referendum, which will result in the UK leaving the European Union, the directors will monitor the effects of the decision on the business but currently do not consider the decision, apart from the one-off fall in the value of Sterling, to have significant impact on its day-to-day operation or future plans.

Signed on behalf of the directors

Steven Burling  
Director



Date:

23/08/17

## Directors' Report

The Directors present their Directors' Report, together with the audited financial statements for the year ended 31 December 2016.

### Results and dividends

The profit for the year after taxation amounted to £1,437,000 (2015: loss £241,000). The directors do not recommend a final dividend. (2015: £nil).

### Future developments

Trading and profit significantly improved during 2016, with the positive trend continuing in 2017. In accordance with company policy a detailed forecast for 2017 was prepared in the third quarter of 2016 reflecting prevailing market conditions at that time and any anticipated developments. From this forecast and the results achieved to date, it is expected that the company will trade profitably in 2017 and into 2018.

### Going concern

The company has undertaken a comprehensive financial forecast to 2018. This has shown there is a strong financial base for the future. It is acknowledged there is an uncertain economic climate. However, there are opportunities in both the UK and overseas markets for the sale of current and newly developed products, which, within the group and the market, the company is recognised as having particular specialist expertise. Despite these indigenous business strengths and due to the nature of the set-up of the company and its operations, the company still relies on the continued financial support from Metalor Technologies International SA, its parent undertaking, to enable it to continue operating and meet its liabilities as they fall due. Such financial support is confirmed by the parent undertaking and the directors therefore considers it appropriate to prepare these financial statements on a going concern basis.

### Directors

The directors who served the company during the year and up to date of this report were as follows:

S A Burling  
A de Montmollin  
P Royer

### Disclosure of information to the auditors

As far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

## Directors' Report (continued)

### Re-appointment of auditors

As the company has adopted the model articles contained in the 2006 Companies Act there is no requirement for an AGM, nor for the Auditors to be re-appointed annually.

Signed on behalf of the directors

Steven Burling  
Director



Date:

23/08/17

## Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable UK 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101).

Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

- select suitable accounting policies and then apply them consistently; and
- make judgments and accounting estimates that are reasonable and prudent; and
- state whether applicable United Kingdom Accounting Standards, including FRS 101, 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.

## **Independent auditors' report**

### **to the members of Metalor Technologies (UK) Limited**

We have audited the financial statements of Metalor Technologies (UK) Limited for the year ended 31 December 2016 which comprises of the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework'.

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 a Report of the Auditors 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.

### **Respective responsibilities of directors' and auditor**

As explained more fully in the Statement of Directors' Responsibilities set out on page six, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Reports and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.



**Opinion on other matter 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.

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

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters where 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.

*Ernst & Young LLP*

*Lorna McNeil (Senior Statutory Auditor)*

*For and on behalf of Ernst & Young LLP, Statutory Auditor  
Birmingham*

*25 August 2017*

## Profit and loss account

for the year ended 31 December 2016

|  | Notes | 2016<br>£000 | 2015<br>£000 |
|--|-------|--------------|--------------|
| <b>Turnover</b>  | 3     | 222,749      | 162,000      |
| Change in stocks of finished goods and manufactured element of consigned goods |       | 40           | 116          |
| Raw materials and consumables  |       | (219,069)    | (158,566)    |
| Other external charges   |       | (474)        | (2,323)      |
| Staff costs  | 6     | (1,243)      | (1,235)      |
| Depreciation   | 4     | (96)         | (82)         |
| <b>Operating profit/(loss)</b>   | 4     | 1,907        | (90)         |
| Interest payable and similar charges   | 7     | (131)        | (147)        |
| <b>Profit/(Loss)</b>   |       | 1,776        | (237)        |
| Tax  | 8     | (339)        | (4)          |
| <b>Profit for the financial year</b>   |       | 1,437        | (241)        |

All amounts relate to continuing activities.

## Statement of total comprehensive income

for the year ended 31 December 2016

There are no items of other comprehensive income such that total comprehensive income equals the profit attributable to the shareholders of the company of £1,437,000 (2015: loss of £241,000) in the year ended 31 December 2016.


**Balance sheet**

at 31 December 2016

|   | Notes | 2016<br>£000 | 2015<br>£000 |
|---|-------|--------------|--------------|
| <b>Fixed assets</b>                                   |       |              |              |
| Tangible assets                                       | 9     | 265          | 316          |
| <b>Current assets</b>                                 |       |              |              |
| Stocks  | 10    | 661          | 621          |
| Debtors: amounts falling due more than one year       | 11    | 180          | 547          |
| Debtors: amounts falling due within one year          | 11    | 5,279        | 3,642        |
| Cash at bank and in hand                              |       | 374          | 158          |
|   |       | 6,494        | 4,968        |
| <b>Creditors: amounts falling due within one year</b> | 12    | (5,232)      | (5,194)      |
| <b>Net current assets/(liabilities)</b>               |       | 1,262        | (226)        |
| <b>Net assets</b>                                     |       | 1,527        | 90           |
| <b>Capital and reserves</b>                           |       |              |              |
| Equity share capital                                  | 13    | 150          | 150          |
| Retained earnings                                     |       | 1,377        | (60)         |
| <b>Total Equity</b>                                   |       | 1,527        | 90           |

These accounts were approved by the directors and authorised for issue on ..... 23/08/17 .....  
and are signed on their behalf by:

Steven Burling  
Director



## Statement of changes in equity

at 31 December 2016

|                            | <i>Share<br/>capital<br/>£000</i> | <i>Retained<br/>earnings<br/>£000</i> | <i>Total<br/>equity<br/>£000</i> |
|----------------------------|-----------------------------------|---------------------------------------|----------------------------------|
| <b>At 1 January 2015</b>   | <b>150</b>                        | <b>181</b>                            | <b>331</b>                       |
| Loss for the year          | -                                 | (241)                                 | (241)                            |
| <b>At 1 January 2016</b>   | <b>150</b>                        | <b>(60)</b>                           | <b>90</b>                        |
| Profit for the year        | -                                 | 1,437                                 | 1,437                            |
| <b>At 31 December 2016</b> | <b>150</b>                        | <b>1,377</b>                          | <b>1,527</b>                     |

## Notes to the financial statements

at 31 December 2016

### 1. General Information

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards. The financial statements are presented in Pounds Sterling and all values are rounded to the nearest thousand Pounds Sterling (£000) except when otherwise indicated.

#### *Basis of preparation*

Metalor Technologies UK Limited (the 'Company') is a private limited company incorporated in England and Wales. These financial statements are prepared in accordance with Financial Reporting Standard 101 'The Financial Reporting Standard applicable in the UK and Republic of Ireland.' The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 issued by the Financial Reporting Council. The accounting policies, which follow, are those policies which apply in preparing the financial statements for the year ended 31 December 2016.

#### *Disclosure exemptions*

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- (a) the requirements of IAS 7 Statement of Cash Flows;
- (b) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.
- (c) the requirements of IFRS7 'Financial Instruments';
- (d) the requirements of paragraphs 91-99 of IFRS13 'Fair Value Measurement';
- (e) the requirement in paragraph 38 of IAS1 'Presentation of Financial Statements' to present comparative information in respect of paragraph 79(a)(iv) of IAS1;
- (f) the requirements of paragraphs 10(d), 10(f), 16, 38A,38B-D, 40A-D, 111, and 134-136 of IAS1;
- (g) the requirements of paragraphs 30 and 31 of IAS8 'Accounting Policies, Changes in Accounting Estimates and Errors'; and
- (h) the requirements of paragraph 17 of IAS24 'Related Party Disclosures'.

#### *Judgements and key sources of estimation uncertainty*

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenue and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key judgements that have had the most significant effect on amounts recognised in the financial statements are in relation to the level of provision held against loss of third party metal stocks and debtors.

#### *Going concern*

Despite various commercial and operational strengths, due to the nature and operational structure of the company, the company relies on the continued financial support from Metalor Technologies International SA, its parent undertaking, to enable it to continue operating and meet its liabilities

## **Notes to the financial statements**

**at 31 December 2016**

as they fall due. Such financial support is confirmed by the parent undertaking in writing. Therefore, the financial statements of the company have been prepared on a going concern basis.

## Notes to the financial statements

at 31 December 2016

### 2. Accounting policies

#### *Tangible fixed assets*

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value based on prices prevailing at the date of acquisition or revaluation, of each asset evenly over its expected useful life. Current rates of depreciation are as follows:

|                       |   |             |
|-----------------------|---|-------------|
| Freehold buildings    | – | 40 years    |
| Plant and equipment   | – | 10-15 years |
| Fixtures and fittings | – | 5–20 years  |
| Motor vehicles        | – | 5-10 years  |

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

#### *Revenue recognition*

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts and VAT. Where a contract for supply of goods on extended terms has been agreed, the revenue for these sales is recognised when the goods and services are delivered.

#### *Stocks*

Stocks are valued at the lower of cost and net realisable value. Provision is made for obsolete, slow-moving or defective items where appropriate.

The principal benefits, and the risks inherent in these benefits, of holding the fine metal content of the consigned goods, are borne by the parent undertaking. Consequently only the manufactured element of consigned goods is recognised as an asset in the balance sheet of the company. A leasing charge on the fine metal content of such consignment stocks is paid to the parent undertaking and included within raw materials and consumables.

#### *Work in progress*

The manufactured element of consigned goods is valued on the basis of direct costs plus attributable overheads based on normal levels of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of the manufactured element of consigned goods.

#### *Foreign currencies*

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

## Notes to the financial statements

at 31 December 2016

### 2. Accounting policies (continued)

#### *Income taxes*

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an un-discounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Income tax is charged or credited directly to other comprehensive income if it relates to items that are credited or charged to other comprehensive income. Otherwise income tax is recognised in the income statement.

#### *Operating leases*

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

#### *Pensions*

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

#### *Cash pooling*

The Company is part of the cash pooling arrangement with parent company whereby certain cleared bank balances are automatically transferred to or from the Company on a daily basis and are accounted for as intra-group debtors or creditors as appropriate. Interest is calculated daily and the annual net interest receivable or payable is accounted for as intra-group interest receivable or payable in the profit and loss account as appropriate.

#### *Interest-bearing borrowings*

All interest-bearing borrowings are initially recognised at net proceeds. After initial recognition subsequent recognition is at amortised cost. Finance costs of debt are allocated over the term of the debt at the prevailing rate on the carrying amount. Interest on group short-term borrowing is recognised as the income or expense accrues using the effective interest method.



## Notes to the financial statements

at 31 December 2016

### 2. Accounting policies (continued)

#### *Metal accounts and metal hedging*

To the extent that the company has entered into a fixed commitment with fellow group companies to buy/sell fine metal at specified rates to meet known customer demand, that firm commitment is recorded as an asset/liability at the fixed metal price within inventory with a corresponding entry recorded within intercompany trading balances.

As a consequence of these consignment arrangements and the metal accounts operated by the company with third parties and with the parent undertaking, consignment stocks and metal account balances are held off balance sheet, except to the extent of metal hedging arrangements. Where the company considers that there is a default risk in relation to a customer's metal account or consignment stocks, appropriate provision is made and recorded within accruals and deferred income.

### 3. Turnover

Geographical analysis of the turnover shows the following distribution:

|                | 2016<br>£000   | 2015<br>£000   |
|----------------|----------------|----------------|
| UK and Ireland | 155,895        | 112,260        |
| Europe         | 66,432         | 49,372         |
| Rest of World  | 422            | 368            |
|                | <u>222,749</u> | <u>162,000</u> |

### 4. Operating Profit/(Loss)

This is stated after charging/(crediting):

|  | 2016<br>£000 | 2015<br>£000 |
|--|--------------|--------------|
| Auditors' remuneration – audit services      | 34           | 39           |
| – taxation services                          | 8            | 5            |
| – other services                             | 1            | 3            |
| Depreciation of owned fixed assets (note 9)  | 96           | 82           |
| Leasing charges on consignment stock (group) | 220          | 279          |
| Operating lease rentals – land and buildings | 27           | 26           |
| – other                                      | 56           | 54           |
| Foreign Exchange Gain/(Loss)                 | 1,415        | (401)        |
| Profit/(Loss) on disposal of fixed assets    | (4)          | -            |
| VAT cost provision                           | -            | 184          |

## Notes to the financial statements

at 31 December 2016

### 5. Directors' remuneration

|  | 2016<br>£000 | 2015<br>£000 |
|--|--------------|--------------|
| Remuneration to UK directors                                       | 115          | 107          |
| Company contributions paid to defined contribution pension schemes | 9            | 9            |

Remuneration to the company's non-UK directors is included within a management charge. The management charge in 2016 totalled £1,023,000 (2015: £723,000).

### 6. Staff costs

|                               | 2016<br>£000 | 2015<br>£000 |
|-------------------------------|--------------|--------------|
| Wages and salaries            | 1,036        | 1,033        |
| Social security costs         | 108          | 100          |
| Other pension costs (note 14) | 99           | 102          |
|                               | 1,243        | 1,235        |

The average monthly number of employees during the year was made up as follows:

|       | No. | No. |
|-------|-----|-----|
| Staff | 27  | 29  |

### 7. Interest payable and similar charges

|  | 2016<br>£000 | 2015<br>£000 |
|--|--------------|--------------|
| Interest payable to other group companies              | 120          | 117          |
| Interest payable to parties other than group companies | 11           | 30           |
|  | 131          | 147          |

## Notes to the financial statements

at 31 December 2016

### 8. Tax

#### (a) Tax on profits on ordinary activities

The tax charge is made up as follows:

|  | 2016 | 2015 |
|--|------|------|
| <b>Current tax:</b>                            |      |      |
| UK corporation tax on the profit for the year  | -    | -    |
| Over provision in prior years                  | (28) | -    |
| Total current tax                              | (28) | -    |
| <b>Deferred tax:</b>                           |      |      |
| Origination and reversal of timing differences | 370  | (57) |
| Adjustment in respect of previous periods      | 23   | -    |
| Effect of changes in tax rates                 | (26) | 61   |
| Total deferred tax (note 8(d))                 | 367  | 4    |
| Tax per the income statement (note 8(c))       | 339  | 4    |

#### (b) Factors affecting future tax charge

The standard rate of Corporation Tax in the UK reduced from 20% to 19% with effect from 1 April 2017. Further changes to the UK Corporation Tax rates that were enacted prior to the year end in the Finance Act 2016 reduced the rate to 17% from 1 April 2020.

The company considers that the timing differences included in the deferred tax calculation will, for the most part, reverse after 1 April 2020 and therefore the deferred tax balances have been stated at a rate of 17% (2015: 18%).

As stated in the Directors' report, the company has undertaken a comprehensive financial forecast and is satisfied that there will be continuing profitability to enable tax losses to be eventually utilised.

## Notes to the financial statements

at 31 December 2016

### 8. Tax (continued)

#### (c) Reconciliation of the total tax income

The tax income in the income statement differs from the standard rate of corporation tax in the UK of 20% (2015 – 20.25%). The differences are reconciled below:

|   | 2016<br>£000 | 2015<br>£000 |
|---|--------------|--------------|
| Profit/(Loss) on ordinary activities before tax   | 1,776        | (237)        |
| Profit(Loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 – 20.25%) | 355          | (48)         |
| <i>Effects of:</i>  |              |              |
| Disallowed expenses and non-taxable income  | 15           | (9)          |
| Over provision in prior years   | (5)          | -            |
| Tax rate changes  | (26)         | 61           |
| Total tax charged in the current year   | 339          | 4            |

#### (d) Deferred tax assets

|  | 2016<br>£000 | 2015<br>£000 |
|--|--------------|--------------|
| Deferred tax assets as at 01 January 2016                                | 547          | 551          |
| Adjustment in respect of previous years credited to the Income Statement | (23)         | -            |
| Deferred tax credited to the income statement                            | (344)        | (4)          |
| Deferred tax assets as at 31 December 2016                               | 180          | 547          |

Deferred tax asset included in the Balance Sheet is as follows:

|   | 2016<br>£000 | 2015<br>£000 |
|---|--------------|--------------|
| <b>Deferred tax asset:</b>                    |              |              |
| Capital allowances in advance of depreciation | (24)         | (29)         |
| Losses  | 204          | 576          |
| At 31 December 2016                           | 180          | 547          |

## Notes to the financial statements

at 31 December 2016

### 9. Tangible fixed assets

|                          | <i>Freehold<br/>land and<br/>buildings<br/>£000</i> | <i>Plant and<br/>machinery<br/>£000</i> | <i>Fixtures<br/>and fittings<br/>and motor<br/>vehicles<br/>£000</i> | <i>Total<br/>£000</i> |
|--------------------------|---|---|--|-----------------------|
| Cost:                    |   |   |  |                       |
| At 1 January 2016        | 582   | 401                                     | 342  | 1,325                 |
| Additions                | -   | 4                                       | 52   | 56                    |
| Disposals                | -   | (85)                                    | (91)   | (176)                 |
| At 31 December 2016      | <u>582</u>  | <u>320</u>                              | <u>303</u>   | <u>1,205</u>          |
| Depreciation:            |   |   |  |                       |
| At 1 January 2016        | 423   | 379                                     | 207  | 1,009                 |
| Provided during the year | 11  | 2                                       | 83   | 96                    |
| Disposals                | -   | (76)                                    | (89)   | (165)                 |
| At 31 December 2016      | <u>434</u>  | <u>305</u>                              | <u>201</u>   | <u>940</u>            |
| Net book value:          |   |   |  |                       |
| At 31 December 2016      | <u>148</u>  | <u>15</u>                               | <u>102</u>   | <u>265</u>            |
| At 1 January 2016        | <u>159</u>  | <u>22</u>                               | <u>135</u>   | <u>316</u>            |

Included within freehold land and buildings is land with a value of £30,000 (2015: £30,000) that is not depreciated.

### 10. Stocks

|   | <i>2016<br/>£000</i> | <i>2015<br/>£000</i> |
|---|----------------------|----------------------|
| Manufactured element of consigned goods   | <u>661</u>           | <u>621</u>           |
| The replacement cost of stocks approximates to the value at which they are stated in the financial statements. The company operates in the precious metals market whereby the fine metal content is dealt with on a consignment basis. As at 31 December, the consignment position based on year-end metal prices was as follows: |                      |                      |
|   | <i>2016<br/>£000</i> | <i>2015<br/>£000</i> |
| Stock from parent undertaking   | 14,950               | 12,046               |
| Stock from third parties  | <u>7,327</u>         | <u>6,442</u>         |
|   | <u>22,277</u>        | <u>18,488</u>        |
| Stock held at Metalor   | 21,554               | 18,004               |
| Stock held at third parties   | <u>723</u>           | <u>484</u>           |
|   | <u>22,277</u>        | <u>18,488</u>        |

This consignment stock forms part of the off balance sheet metal balances which, on a metal consignment basis, represent either a net asset or net liability.

## Notes to the financial statements

at 31 December 2016

### 11. Debtors

Debtors: amounts falling due after more than one year:

|                                 | 2016<br>£000 | 2015<br>£000 |
|---------------------------------|--------------|--------------|
| Deferred tax asset (see note 8) | 180          | 547          |

Debtors: amounts falling due within one year

|                                     | 2016<br>£000 | 2015<br>£000 |
|-------------------------------------|--------------|--------------|
| Trade debtors                       | 3,498        | 2,803        |
| Amounts due from group undertakings | 488          | 49           |
| Other debtors                       | 1,293        | 790          |
|                                     | <u>5,279</u> | <u>3,642</u> |

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

|                                    | 2016<br>£000 | 2015<br>£000 |
|------------------------------------|--------------|--------------|
| Bank borrowings                    | 1,005        | 477          |
| Trade creditors                    | 80           | 165          |
| Amounts owed to group undertakings | 900          | 833          |
| Intercompany cash pool             | 2,970        | 3,389        |
| Corporation tax                    | -            | 33           |
| Other taxation and social security | 22           | 35           |
| Accruals and deferred income       | 255          | 262          |
|                                    | <u>5,232</u> | <u>5,194</u> |

Bank borrowings of £1,005,000 (2015: £477,000) are repayable on demand and bear interest at LIBOR plus 1.5%

Amounts owed to group undertakings relate only to intergroup purchases.

## Notes to the financial statements

at 31 December 2016

### 13. Issued share capital

| <i>Authorised, Allotted, called up and fully paid</i> | <i>No.</i> | 2016        | <i>No.</i> | 2015        |
|---|------------|-------------|------------|-------------|
|   |            | <i>£000</i> |            | <i>£000</i> |
| Ordinary shares of £1 each                            | 150,000    | <u>150</u>  | 150,000    | <u>150</u>  |

### 14. Pensions

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. Total contributions for the year amounted to £99,000 (2015: £102,000).

### 15. Other financial commitments

At 31 December 2016 the company has total future contractual commitments under non-cancellable operating leases as set out below:

|                      | 2016                               |                       | 2015                               |                       |
|----------------------|------------------------------------|-----------------------|------------------------------------|-----------------------|
|                      | <i>Land and buildings<br/>£000</i> | <i>Other<br/>£000</i> | <i>Land and buildings<br/>£000</i> | <i>Other<br/>£000</i> |
| Within one year      | 18                                 | 41                    | 26                                 | 37                    |
| In two to five years | 73                                 | 54                    | 60                                 | 36                    |
| In over five years   | 41                                 | -                     | 77                                 | 12                    |
|                      | <u>132</u>                         | <u>95</u>             | <u>163</u>                         | <u>85</u>             |

### 16. Related party transactions

The company is a wholly owned subsidiary of Metalor Technologies International SA, the group financial statements of which are publicly available. Accordingly, the company has taken advantage of the exemption in FRS 101 RDF from disclosing transactions with other wholly owned members or investees of the group.

### 17. Ultimate parent undertaking and controlling party

The company's immediate parent undertaking is Metalor Technologies International SA, a company incorporated in Switzerland. The results of the company are consolidated in Metalor Technologies International SA. This is the only group into which the results of the company are consolidated. The group financial statements are available to the public and may be obtained from Route des Perveuls 8, 2074 Marin-Epagnier, Switzerland.

The company's ultimate parent company is Tanaka Holdings Co. Ltd. a company registered in Japan. Tanaka Holdings Co Ltd acquired 100% of the shares of Metalor Technologies International SA on September 28 2016. Prior to September 28 2016 Astorg Partners, a private equity company based in Paris, held the majority shares in Metalor Technologies International SA.