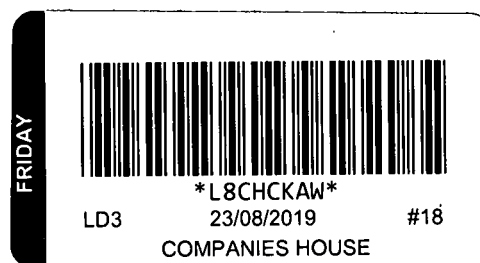


Element Six Limited

**Annual Report and Financial Statements
Year Ended 31 December 2018**

Company Registration Number: 02946905



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DIRECTORS AND OTHER INFORMATION

Board of Directors

A Guthrie
C O'Donnell

Secretary and Registered Office

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

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

Registered Number: 02946905

Bankers

BNP Paribas
10 Harewood Avenue
London
NW1 6AA
United Kingdom

Statutory Auditor

Deloitte LLP
Statutory Auditor
London
United Kingdom

STRATEGIC REPORT

The directors present their strategic report on Element Six Limited ("the Company") for the year ended 31 December 2018.

Business Review and principal activities

The company is a wholly-owned subsidiary of the Element Six group which manufactures and sells synthetic diamond and other super materials.

The holding of the pension fund is the only principal activity remaining within the company. The principal risk facing the company continues to be the performance of the pension investment portfolio and pension liability. This is reviewed by management as part of the triennial valuation and advice is taken from external specialists and pension specialists in Anglo American.

Results

The loss after tax for the year is £906,131 (2017: £1,257,949). The lower loss is driven by a reduction in the interest on the pension assets and liabilities. The total comprehensive profit for the year is £3,433,755 (2017: profit of £7,529,051).

Financial Position

The net assets as at 31 December 2018 were £7,941,537 (2017: £4,507,782). The increase from prior year is mainly due to the change in the pension deficit.

Key performance indicators

The key performance indicator for the Company is net assets. The directors and management use this measure to assess the performance of the Company and to make strategic decisions. This was as follows:

	2018	2017
Net assets (£)	7,941,537	4,507,782

Financial risk management objectives and policies

The Company's operations expose it to a variety of financial risks that include the effect of changes in foreign exchange risk, credit risk, liquidity risk and interest rate risk. The group has in place a risk management programme, which the Company is part of, that seeks to manage the financial exposures of all group companies by monitoring levels of debt finance and the related finance costs.

In addition the Company is exposed to the performance of the pension investment portfolio. This risk is managed by management based on advice from external specialists and reviewed as part of the triennial revaluation.

Currency risk

Element Six Limited has a limited amount of exposure to currency risk with the majority of its transactions being denominated in Sterling. On occasion, large payments are required to be made in foreign currency and this is managed via the Group Treasury function.

Interest rate risk

The company has no significant interest bearing assets or liabilities apart from intercompany balances. Interest rate risk on intercompany balances is managed centrally by the treasury department for the benefit of the wider group.

Credit risk

The majority of the company's debtors are intercompany and the risk is managed centrally by the treasury department for the benefit of the wider group. These balances are settled through the Treasury account either monthly or quarterly. The risk of recoverability of intercompany balances is not significant.

Liquidity risk

Liquidity risk is managed through a monthly review of the balance sheet.

STRATEGIC REPORT - continued

Future developments

The defined benefit pension fund is the only item remaining within the company. There are no planned changes.

Events after the balance sheet date

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

Approval

Approved by the Board and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'A Guthrie', with a long horizontal stroke extending to the right.

A Guthrie
Director
13 August 2019

DIRECTORS' REPORT

The directors present their report and the audited financial statements of Element Six Limited ("the company") for the year ended 31 December 2018.

Under section 414C(11) of the Act, the directors may include in the strategic report such of the matters otherwise required by regulations made under section 416(4) to be disclosed in the directors' report as the directors consider are of strategic importance to the company.

The disclosures required by s416(4) which are dealt with in the strategic report in this way are:

- Financial risk management objectives and policies;
- Future developments
- Events which have occurred since the end of the financial year

Going Concern

The company is in a net assets position of £7.9 million (2018: £4.5 million) and net current assets of £28.7 million (2018: £30.9 million) at the statement of financial position date.

Having made appropriate enquiries, the Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The impact of Brexit is described in Note 1 and has no impact on the funding of the company. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Directors' and their interests

The names of the persons who were directors at any time during the year or since year end are set out below. They served as directors for the entire period unless otherwise indicated.

A Guthrie
C O'Donnell

Director's indemnities

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

Results and dividends

The company's loss for the financial year was £906,131 (2017: £1,257,949). The lower loss is driven by a reduction in the interest on the pension assets and liabilities. The total comprehensive income for the year was £3,433,755 (2017: £7,529,051). No dividends can be paid in the year (2017: £nil).

Future developments

The company will continue to hold the Element Six pension fund liability.

Auditor and disclosure of information to auditor

Each of the persons who is a director at the date of the approval of this report confirms that,

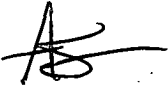
- So far as the directors are aware, there is no relevant audit information of which the company's auditor is unaware; and
- The directors have taken all the steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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

Independent auditor

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

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



A Guthrie
Director
13 August 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") 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 ELEMENT SIX LIMITED

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 13.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ELEMENT SIX LIMITED
– continued

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

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

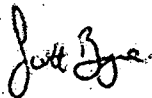
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law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

We have nothing to report in respect of these matters.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ELEMENT SIX 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.



Scott Bayne
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
13 August 2019

PROFIT AND LOSS ACCOUNT
Year Ended 31 December 2018

	Notes	2018 £	2017 £
Turnover		-	-
Administrative expenses		(375,094)	(239,981)
Operating loss	2	(375,094)	(239,981)
Interest receivable	3	143,415	12,788
Other finance expense	10	(674,452)	(915,434)
Loss before taxation		(906,131)	(1,142,627)
Tax charge on loss	4	-	(115,322)
Loss for the financial year		(906,131)	(1,257,949)

All amounts above related to continuing operations.

STATEMENT OF COMPREHENSIVE INCOME
Year Ended 31 December 2018

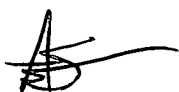
	Notes	2018 £	2017 £
Loss for the financial year		(906,131)	(1,257,949)
Items that will not be reclassified subsequently to profit and loss			
Actuarial profit on post-retirement benefits	10	4,339,886	8,797,000
Tax relating to items that will not be reclassified		-	-
Total comprehensive income relating to the year		<u><u>3,433,755</u></u>	<u><u>7,539,051</u></u>

STATEMENT OF FINANCIAL POSITION
At 31 December 2018

	Notes	2018 £	2017 Restated £
Current assets			
Debtors	5	28,845,932	31,062,224
		<u>28,845,932</u>	<u>31,062,224</u>
Creditors - amounts falling due within one year	7	(155,395)	(145,008)
Total net current assets		28,690,537	30,917,216
Non-current liabilities:			
Pension deficit	10	(20,749,000)	(26,409,434)
Net assets		<u>7,941,537</u>	<u>4,507,782</u>
Capital and reserves			
Called up share capital	8	1,000	1,000
Capital contributions	9	33,000,000	33,000,000
Profit and loss account		(25,059,463)	(28,493,218)
Total Shareholders' funds		<u>7,941,537</u>	<u>4,507,782</u>

The notes on pages 13 to 25 form part of the financial statements.

The financial statements on page 11 to 25 were approved by the Board of Directors on 13 August 2019 and signed on its behalf by:



Andrew Guthrie
Director
Element Six Limited
Registered Number: 02946905

STATEMENT OF CHANGES IN EQUITY
At 31 December 2018

	Called up Share Capital £	Capital Contributions £	Profit and Loss account £	Total £
As at 1 January 2017	1,000	33,000,000	(36,032,269)	(3,031,269)
Loss for the financial year	-	-	(1,257,949)	(1,257,949)
Other comprehensive income	-	-	8,797,000	8,797,000
Total comprehensive income	-	-	7,539,051	7,539,051
As at 31 December 2017	1,000	33,000,000	(28,493,218)	4,507,782
As at 1 January 2018	1,000	33,000,000	(28,493,218)	4,507,782
Loss for the financial year	-	-	(906,131)	(906,131)
Other comprehensive income	-	-	4,339,886	4,339,886
Total comprehensive income	-	-	3,433,755	3,433,755
As at 31 December 2018	1,000	33,000,000	(25,059,463)	7,941,537

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

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

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to the presentation of a cash flow statement, standards not effective, financial instruments and related party transactions. Where required, equivalent disclosures are given in the Group accounts of Anglo American Plc. The Group accounts of Anglo American Plc are available to the public and can be obtained from the Anglo American Plc website (<http://www.angloamerican.com/investors/annual-reporting>).

General information

The Company is a private Company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The Company is a private Company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the registered office is given on the Company Information page.

On 23 June 2016 the UK voted to leave the European Union. The uncertainty associated with Brexit may adversely impact investment, capital, financial, occupier and labour markets in the UK as the nature and timing of exit and future relationships are negotiated.

In most scenarios there may be extended periods of uncertainty, leading to market impacts that are less acute but persistent. In the event of a 'no deal' disorderly Brexit these impacts could be acute.

In the long term, exit from the EU could impact levels of investment return on the defined benefit assets. To mitigate this risk, the Trustees of the pension scheme have begun the implementation of a de-risking strategy for investment of Scheme assets.

The significant accounting policies adopted by the company are as follows:

Basis of preparation

These financial statements have been prepared on a going concern basis in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

The company is in a net assets position of £7.9 million at the statement of financial position date; including net current assets due from other Element Six group entities of £28.8 million.

Having made appropriate enquiries, the Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The impact of Brexit is described in Note 1 and has no impact on the funding of the company. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

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

Historical cost convention

The financial statements are prepared under the historical cost convention except for those measured at fair value.

NOTES TO THE FINANCIAL STATEMENTS - continued

1 Accounting policies - continued

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any allowance for expected credit

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Deferred tax assets and liabilities are not discounted.

Taxation

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

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

NOTES TO THE FINANCIAL STATEMENTS - continued

1 Accounting policies - continued

Foreign currencies

Transactions in foreign currencies are translated to Sterling at the exchange rate ruling on the transaction date. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All exchange differences are taken to the profit and loss account.

Retirement benefits

The company has a defined benefit pension scheme.

Defined benefit pension scheme assets are measured at fair value. Defined benefit pension scheme liabilities are measured on an actuarial basis using the projected unit method. The excess of scheme liabilities over scheme assets is presented on the balance sheet as a liability, net of related deferred tax. The defined benefit pension charge to operating profit comprises the current service cost and past service costs. The excess of the expected return on scheme assets over the interest cost on the scheme liabilities is presented in the profit and loss account as other finance income/expense. Actuarial gains and losses arising from changes in actuarial assumptions and from experience surpluses and deficits are recognised in comprehensive income/loss for the year in which they occur.

Other post-retirement benefits

The company has also agreed to provide certain post-employment medical aid benefits. The obligation represents the amount that employees have earned in return for service in the current and prior periods. The obligations are measured annually by independent qualified actuaries. Actuarial gains and losses are recognised as they occur in the statement of total recognised gains and losses.

Adoption of new and revised Standards

In the current year, the Company has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2018. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

IFRS 9 *Financial Instruments*

IFRS 9 *Financial Instruments* became effective for the Company from 1 January 2018, replacing IAS 39 *Financial Instruments: Recognition and Measurement*.

The impact of the introduction of an 'expected credit loss' model for the assessment of impairment of financial assets held at amortised cost did not have a material effect to the company. No other aspects of IFRS 9 *Financial Instruments* is applicable to the company.

Critical accounting judgements and key sources of estimation uncertainty

The only critical accounting judgement and key source of estimation uncertainty relates to the pension scheme. Estimates and assumptions have been applied by management together with the scheme actuaries in the calculation of the charges for the year and the valuation of the obligations at the balance sheet date. The actuarial assumptions relating to discount rates, inflation, expected return on plan assets and mortality underlying the valuations are mutually compatible and reflect the best estimate of the variables that will determine the ultimate cost of providing post-employment benefits. Further details are provided in note 10. Any changes in these assumptions will impact the carrying amount of post retirement benefit obligations.

NOTES TO THE FINANCIAL STATEMENTS - continued

2 Operating loss

	2018	2017
	£	£
The operating loss is stated after charging:		
Auditor's remuneration - audit services	3,281	3,182
Pension administration costs	356,502	324,810
Foreign exchange (income)losses	(693)	(24,467)
	<u> </u>	<u> </u>

There are no employees within the company, and as such no salaries or employee numbers to disclose in these accounts. Directors' are remunerated through Element Six (UK) Ltd and as such there are also no separate Directors' disclosures.

There are no non-audit services provided by the auditors of the Company.

3 Interest receivable

	2018	2017
	£	£
Intercompany interest receivable	143,415	12,788
	<u> </u>	<u> </u>
	<u>143,415</u>	<u>12,788</u>

4 Taxation

	2018	2017
	£	£
Current tax:		
UK corporation tax	(2,461)	-
Adjustment in respect of previous years	2,461	(115,322)
	<u> </u>	<u> </u>
Total current tax charge	-	(115,322)
	<u> </u>	<u> </u>
Deferred tax:		
Origination and reversal of timing differences	-	-
Adjustment in respect of previous years	-	-
Adjustment in respect of change in tax rate	-	-
	<u> </u>	<u> </u>
	-	-
	<u> </u>	<u> </u>
Total tax charge on loss for the year	-	(115,322)
	<u> </u>	<u> </u>

The tax assessed on the result for the year differs from that which would result from applying the standard effective rate of corporation tax in the UK of 19.00% (2017: 19.25%) to the loss on activities. The differences are explained below:

NOTES TO THE FINANCIAL STATEMENTS - continued

4 Taxation - continued

	2018 £	2017 £
Loss before taxation	(906,131)	(1,142,627)
Profit before taxation multiplied by the standard rate of UK corporation tax of 19.00% (2017:19.25%)	(172,165)	(219,916)
Impact of research & development claims	(29,710)	-
Group relief claimed for nil consideration	-	(2,461)
Prior year adjustment	2,461	115,322
Deferred tax asset not recognised (note 6)	199,414	222,377
Total tax charge for the year	-	115,322

Factors that may affect future tax charges

On 26 October 2015, Finance (No.2) Act 2015 was substantively enacted and provided for a reduction in the main rate of corporation tax from 20% to 19% effective from 1 April 2017 and a further 1% reduction to 18% from 1 April 2020.

On 6 September 2016, the Finance Act 2016 was substantively enacted and provided for a reduction in the main rate of corporation tax to 17% from 1 April 2020. Where relevant the reduced rates have been reflected in the calculation of deferred tax at the balance sheet date.

5 Debtors

	2018 £	2017 Restated £
Amounts falling due within one year:		
Amounts owed by other group undertakings	28,795,469	30,149,347
Corporation tax receivable	-	622,061
Other debtors	23,950	24,130
VAT receivable	26,513	19,839
Prepayments and accrued income	-	246,847
	28,845,932	31,062,224

Amounts owed by other group undertakings falling due within one year are unsecured and repayable on demand.

The interest rate applicable on this receivable balance is a 1 Month GBP Libor rate less a margin of 10bps. As disclosed in Note 13, the comparatives have been restated to reclassify £995,889 of Amounts owed by other group undertakings from Amounts falling due after more than one year to Amounts falling due within one year to align with the terms of the deposit agreement.

NOTES TO THE FINANCIAL STATEMENTS - continued

6 Deferred tax asset

	2018 £
At 1 January 2018	-
Debit to the profit and loss account	-
At 31 December 2018	-

There are unrecognised deferred tax assets as follows:

	2018 £	2017 £
Retirement benefit deficit	3,516,790	4,477,534
Tax losses	842,191	438,425
RDEC restriction	104,609	-
	<u>4,463,590</u>	<u>4,915,959</u>

Deferred tax assets in respect of the retirement benefit deficit and other temporary differences have not been recognised. This is on the basis that it is not probable that there will be sufficient and suitable taxable profits arising in future periods against which to utilise them.

7 Creditors - amounts falling due within one year

	2018 £	2017 £
Trade creditors	82,159	89,199
Amounts owed to group undertakings	36,522	47,118
Accruals and deferred income	36,714	8,691
	<u>155,395</u>	<u>145,008</u>

Amounts owed to group undertakings falling due within one year are unsecured, repayable on demand and interest-free.

8 Share capital

	2018 £	2017 £
Authorised:		
50,000 ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>
Allotted, called up and fully paid:		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

The Company has one class of ordinary shares which carry no right to fixed income.

NOTES TO THE FINANCIAL STATEMENTS - continued

9 Capital contributions

These comprise historical contributions received from Element Six Technologies SARL, the immediate parent company of Element Six Limited, at the time. The contributions did not confer any rights to the share capital of the company on the donor company.

10 Pension commitments

	2018 £'000	2017 £'000
Post retirement pension benefits liability (a)	(20,687)	(26,338)
Post retirement medical benefits liability (b)	(62)	(71)
	<u>(20,749)</u>	<u>(26,409)</u>

(a) Pension benefits

The company also participates in a contributory defined benefit scheme. The fund administration cost included within the profit and loss account in respect of the scheme for the year ended 31 December 2018 was £356,502 (2017: £324,810). This scheme was closed to new entrants in 2002.

The most recent actuarial valuation of the scheme for funding purposes was carried out by independent professionally qualified actuaries as at 31 December 2018 and is available to scheme members but not for public inspection.

An actuarial valuation was carried out as at 31 December 2018 using the projected unit basis. The principal assumptions used by the actuary were as follows:

	2018 %	2017 %
Discount rate	2.90	2.55
Rate of increase in pensionable salaries	-	-
Rate of increase in pensions in payment	3.25	3.20
Rate of inflation	2.25	2.20

The mortality assumptions used were as follows:

	2018 Years	2017 Years
Longevity at age 60 for current pensioners:		
- Men	27.1	27.2
- Women	28.7	28.8
Longevity at age 60 for future pensioners:		
- Men	28.4	28.6
- Women	29.7	29.8

NOTES TO THE FINANCIAL STATEMENTS - continued

10 Pension commitments - continued

(a) Pension benefits – continued

The assets in the scheme and the expected rates of return were:

	Long-term rate of return expected 31 December 2018 %	2018 £'000	Long-term rate of return expected 31 December 2017 %	2017 £'000
Fair value of scheme assets	2.90	80,283	2.55	84,047
Present value of scheme liabilities		(100,970)		(110,385)
Deficit in scheme		<u>(20,687)</u>		<u>(26,338)</u>

The major categories of Scheme assets as a percentage of total Scheme assets were:

	2018 %	2017 %
Equities	39	41
Gilts	15	15
Corporate bonds	34	33
Insured Pensioners	2	2
Property	10	9
	<u>100</u>	<u>100</u>

Reconciliation of present value of scheme liabilities

	2018 £'000	2017 £'000
1 January	110,385	114,337
Past service cost	100	-
Interest on scheme liabilities	2,855	2,919
Benefits paid	(2,682)	(4,164)
Actuarial gains	(9,688)	(2,707)
31 December	<u>100,970</u>	<u>110,385</u>

Reconciliation of fair value of scheme assets

1 January	84,047	78,128
Expected return on scheme assets	2,179	2,003
Actuarial (losses)/gains	(5,261)	6,080
Benefits paid	(2,682)	(4,164)
Contributions by employer	2,000	2,000
31 December	<u>80,283</u>	<u>84,047</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

10 Pension commitments - continued

(a) Pension benefits – continued

Scheme assets do not include any of Element Six Limited's own financial instruments, or any property occupied by Element Six Limited. The investment strategy is a liability driven one and the scheme assets are a combination of various portfolio funds.

The defined benefit pension Scheme exposes the company to actuarial risks, such as longevity risk, interest rate risk, salary risk, market (investment) risk and currency risk

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy.

The actual loss on scheme assets in the year was £3,082,000 (2017 return: £8,083,000).

	2018	2017
	£000	£'000
Sensitivity analysis:		
The table below shows the impact on the defined benefit obligation if the assumptions were changed as shown (assuming all other assumptions remain constant)		
0.5% p.a. decrease in discount rate	9,567	11,609
0.5% p.a. increase in inflation (and salary increase, if any) rate	756	730
1 year increase in life expectancy	5,410	5,994

Analysis of amounts charged to profit and loss are as follows:

Current service cost	(2,854)	(2,919)
Total charge to operating profit	2,180	2,003
Interest on pension scheme liabilities	-	-
Expected return on pension scheme assets	-	-
Net finance expense	(674)	(916)

Analysis of amounts recognised in the statement of total comprehensive income	2018	2017
	£'000	£'000
Actual less expected return on scheme assets	(3,796)	6,080
Experience gain on plan liabilities	-	-
Changes in underlying the present value of scheme liabilities	8,136	2,717
Total actuarial gain recognised	4,340	8,797

NOTES TO THE FINANCIAL STATEMENTS - continued

10 Pension commitments - continued

(a) Pension benefits – continued

The cumulative amount of actuarial losses recognised in other comprehensive income/expenses, including the financial year ended 31 December 2018, is £20,687,000 (2016: £26,338,000). The total contributions expected to be made to the scheme by Element Six Limited in the year to 31 December 2019 is £2,000,000.

Amounts for current and previous years:	2018 £'000	2017 £'000	2016 £'000	2015 £'000	2014 £'000
Present value of scheme liabilities	(100,970)	(110,385)	(114,337)	(93,659)	(96,123)
Fair value of scheme assets	80,283	84,047	78,128	71,093	69,755
Deficit	(20,687)	(26,338)	(36,209)	(22,566)	(26,368)
Experience adjustments on scheme assets	(3,796)	6,080	5,930	602	2,275
Expressed as a % of scheme assets	-5%	7%	8%	1%	3%
Experience adjustments on scheme liabilities	0	(82)	0	815	(24)
Expressed as a % of scheme liabilities	0%	0%	0%	1%	0%

(b) Post-retirement medical benefits

With regard to the provision of other retirement benefits, the company has agreed to provide certain post-employment medical aid benefits which are unfunded. The liability at the year-end amounted to £62,000 (2017: £71,000). The medical aid charge to the profit and loss account for the year was £14,000 (2017: £11,000) and £14,000 (2017: £11,000) is included in other comprehensive income/expenses.

Movement in the liability in the balance sheet	2018 £'000	2017 £'000
At 1 January 2018	71	77
Current service cost	3	4
Interest cost	2	2
Benefits paid	-	(1)
Actuarial (loss)/gain	(14)	(11)
At 31 December 2018	62	71

The principal assumptions used in determining post-retirement medical funding are as follows:

	2018 %	2017 %
Discount rate	2.95	2.65
Price inflation	3.2	3.2
Medical premium inflation	7.95	7.95

NOTES TO THE FINANCIAL STATEMENTS - continued

11 Related party transactions

The company has availed of the exemption contained in FRS101 not to disclose transactions with related companies all of whose voting rights are controlled within the group of Element Six Holdings Limited.

12 Parent company and controlling party

The immediate parent company is Element Six Holdings Limited, a company registered in the UK (registered number 07359334). The parent company of the smallest group of undertakings of which the company is a member and in whose group financial statements it is included is Element Six Holding Limited, whose registered address is 20 Carlton House Terrace, London SW1Y 5AN, United Kingdom a company incorporated in the United Kingdom.

The Company's ultimate parent and controlling party is Anglo American plc, a public limited company registered in England and Wales (registered number 3564138). The Group financial statements of Anglo American plc can be obtained from the Company Secretary of Anglo American plc, whose registered address is 20 Carlton House Terrace, London SW1Y 5AN, United Kingdom or the Anglo American plc website.

13 Prior year balance sheet reclassification

The comparative balance sheet has been restated to reclassify £995,889 of Amounts owed by other group undertakings from Debtors within Non-current assets to Debtors within current assets to align with the terms of the deposit agreement. The reclassification results in Net current assets as at 31 December 2017 increasing by £995,889. The comparatives in Note 5 have been restated to reflect this prior year reclassification.