Company Number 244498

# 5N Plus UK Limited

## ANNUAL REPORT and FINANCIAL STATEMENTS

## 31st December 2016

**INDEX**

## GENERAL INFORMATION

| | |
|---|---|
| Board of Directors | Andrew Davies<br>Steve Horsman – appointed 28th January 2016<br>Jean Mayer |
| Principal Bankers | HSBC Bank plc<br>8 London Street<br>Basingstoke<br>Hampshire<br>RG21 7NU |
| Independent Auditor | RSM UK Audit LLP<br>The Pinnacle<br>170 Midsummer Boulevard<br>Milton Keynes<br>MK9 1BP |
| Registered Office | 1-4 Nielson Road<br>Finedon Road Industrial Estate<br>Wellingborough<br>Northamptonshire<br>NN8 4PE |
| Company Number | 244498 |
| Website | www.5nplus.com |

## STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

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

### REVIEW OF THE BUSINESS

During the year the company continued its activities in the refining and marketing of non-ferrous metals, including Gallium, Indium, Selenium, Tellurium and Bismuth, and also the manufacture and marketing of fusible alloys and fine chemicals.

### STRATEGY

In September 2016, 5N Plus Inc announced its Strategic Plan, 5N21, which included the planned closure of the 5N Plus UK Limited site during 2017. The strategy aims to extract more value from the existing assets and operations and therefore the decision was taken to move the production based in the UK to other plants within the 5N Plus Group. The timescale is for the move to be completed by the end of September 2017.

### RESULTS AND PERFORMANCE

The company's loss before taxation was $7,673k (2015: $13,111k). Accumulated losses total $35,682k (2015: $28,169k total accumulated losses). Total assets have reduced to $17,650k (2015: $25,276k).

| Key Performance Indicators | 2016 | 2015 |
|---|---|---|
| Gross Profit / (Loss) ($ '000s) | 1,059 | (6,218) |
| Gross Profit / (Loss) % | 2.82% | (10.65)% |
| Stock Holding (average days) | 121 | 144 |
| Receivable Days | 50 | 67 |

Falling metal prices and demand impacted revenue in 2015; however 2016 metal prices were relatively stable throughout the year. Revenue is down compared to 2015 due to the falling prices within 2015. Volumes remain consistent period the periods.

Due to a more stable market a Gross Profit of $1,059k was achieved in 2016 compared to a loss of $6,218k in 2015.

2016 saw a continuing reduction in inventory holding following on from the start of a programme of inventory reduction during 2015.

### PRINCIPAL RISKS AND UNCERTAINTIES

*Market risks*
The metals which form the basis of the company's products are not quoted on any officially recognised exchanges, although there are reliable trade publications that provide indicative pricing on a regular basis for some of the metals.

## STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

Metal price fluctuations due to foreign exchange rate movements are limited as the majority of metals are sold and purchased in US Dollars (USD), however exposure remains due to metal purchase price movements depending on how long the inventory is retained on site before being sold.

*Competitive risks*
A key asset for the company is its long standing reputation as a reliable supplier of quality product, developed to meet customers' evolving requirements. Competition from substitute products or alternative processes is always present, so the company devotes considerable time to remaining in touch with customers' development strategies.

Temporary cost competition helps the company remain competitive, although the customers' fundamental and perennial requirements for qualification, availability and reliability afford some protection from opportunistic competitors without those key aspects to offer.

*Employment, product and environmental impact risks*
The majority of the company's products are not themselves hazardous, although production processes do make use of some hazardous materials and potentially hazardous operations. However, the company devotes considerable resources (from Board level downwards, and including full-time professional health, safety, quality and environment risk managers) to providing a safe working environment, to minimising any damage to the environment, and to producing products which have a negligible risk to their users.

***Financial risks***
*Foreign currency risk management*
The company trades in three major currencies, US Dollars, Euros and Sterling, with most trading being done in US Dollars. For the most part the company operates natural hedges between purchasing and sales activities in these major trading currencies, and makes use of spot rates to buy or sell excess currency in exceptional circumstances.

*Interest risk management*
The company continues to have no external borrowings.

*Credit risk*
Our existing business has continued to follow the credit risk profile of previous years.

Our customers are mainly large multinational corporations. The company assesses credit risk profiles with the help of established credit agencies and based on the long history of trading with its customers, which includes monitoring compliance with credit terms.

*Cash requirements and working capital management*
As a significant group manufacturing site it is logical that the company will hold a significant proportion of the group's metal inventory. The level of inventory at the Wellingborough site is not only for current manufacturing requirements; it is also part of the group's strategic inventory holding. This is partly financed by loans from other group entities.

Following the announcement of the closure of the UK site, any excess inventory will be sold to other 5N Plus companies in line with the group transfer pricing rules. The company will be able to meet all of its working capital requirements without the need for any further funding via group loans.

**STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)**

*Capital management*
The primary objective is to ensure the company maintains a capital structure that can support the business and be adjusted in the light of changing economic conditions. There have been no changes in policy during the year under review. This covers the cash held by the company, equity and also any loans from other group entities.

***Future developments and Going concern***
On September 29, 2016, the company's parent undertaking announced the consolidation of its operations at Wellingborough with other sites within the parent group. As a result the trading activities of the company will cease by September 2017. Residual trading activities are expected to cease by December 2017 year and the company will be liquidated. The directors have therefore prepared the financial statements on the basis that the company is no longer a going concern. The parent group is committed to the closure of the business being made in a controlled fashion. Accordingly they have put in place a funding and solvency plan, including the waiver of intra group loans as set out in the note 10 to the financial statements, to ensure that this is achieved.

This report was approved by the board of Directors and authorised for issue on 10th August 2017 and it is signed on its behalf by:

Andrew Davies
Director

**DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016**

The Directors present their report and the audited financial statements of the company for the year ended 31 December 2016.

**MATTERS OF STRATEGIC IMPORTANCE**

The company has chosen in accordance with Companies Act 2006, s.414C(11) to set out in the Company's Strategic Report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulation 2008, Sch. 7 to be contained in the Directors' Report. It has done so in respect of future developments and the use of financial instruments and associated risks.

**THIRD PARTY INDEMNITY PROVISION FOR DIRECTORS**

Qualifying third party indemnity provision is in place for the benefit of all Directors of the company.

**DIVIDENDS**

The company did not pay any dividends during the year. No dividends in respect of 2016 are proposed (2015: none).

**DIRECTORS**

The Directors who were in office during the year and up to the date of signing of the financial statements were:

Andrew Davies
Steve Horsman – appointed 28th January 2016
Jean Mayer

No current Director has any interest in the shares of the company as at the end of the year. Their interests in shares of the ultimate parent undertaking, 5N Plus Inc, are shown in that company's financial statements.

**INDEPENDENT AUDITOR**

The independent auditor RSM UK Audit LLP have indicated their willingness to continue in office.

**DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 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 company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**DISCLOSURE OF INFORMATION TO THE AUDITORS**

At the date of making this report each of the company's Directors, as set out on page 1, confirm the following:

- So far as each Director is aware, there is no relevant audit information needed by the company's auditors in connection with preparing the report of which the company's auditors are unaware, and
- Each Director has taken all the steps that he ought to have taken as a Director in order to make themselves aware of any relevant information needed by the company's auditors in connection with preparing the report and to establish that the company's auditor are aware of the information.

This report was approved by the board of Directors and authorised for issue on 10th August 2017 and it is signed on its behalf by:

Andrew Davies
Director
10th August 2017

### *Independent Auditor's report to the members of 5N Plus UK Limited*

**Opinion on financial statements**

We have audited the financial statements on pages 9 to 28. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the provisions of the Companies Act 2006.

**Emphasis of matter – going concern and basis of preparation**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in the Accounting Policies note to the financial statements concerning the basis of preparation of the financial statements. On September 29, 2016, the company's parent undertaking announced the planned consolidation of its operations at Wellingborough with other sites within the parent group. As a result the trading activities of the company are expected to cease by September 2017; with all residual trading activities expected to cease by the end of the year and the company will be liquidated. The directors have therefore prepared the financial statements on the basis that the company is no longer a going concern and have reviewed the accounting policies and estimates applied in the financial statements. Consequentially material changes in the expected useful economic life and residual values of property plant and equipment and provisions for incremental costs committed to as a result of the closure have been made. The impacts of these changes are set out in the accounting policies and notes 5 and 12 of the financial statements.

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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at http://www.frc.org.uk/auditscopeukprivate.

**Opinion on other matter prescribed by the Companies Act 2006**

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

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.

## *Independent Auditor's report to the members of 5N Plus UK Limited (continued)*

**Respective responsibilities of directors and auditor**

As more fully explained in the Directors' Responsibilities Statement set out on page 6, 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 (APB's) Ethical Standards for Auditors.

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.

David Olsson (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
The Pinnacle
170 Midsummer Boulevard
Milton Keynes
Buckinghamshire
MK9 1BP

15/04/2017

**STATEMENT OF COMPREHENSIVE INCOMELOSS**
**For the year ending 31 December 2016**

| | Note | 2016 $000's | 2015 $000's |
|---|---|---|---|
| **Revenue** | 2 | 37,566 | 58,355 |
| **Cost of Sales** | | | |
| Material cost of sales | | (33,097) | (60,673) |
| Manufacturing costs | | (3,410) | (3,900) |
| | | (36,507) | (64,573) |
| **Gross Profit / (Loss)** | | 1,059 | (6,218) |
| Depreciation & amortisation | 5 | (1,936) | (1,283) |
| Distribution costs | | (781) | (1,954) |
| Administrative expenses | | (1,582) | (1,979) |
| Closure costs | | (2,750) | - |
| Foreign exchange losses | | (86) | (302) |
| Other income | | 43 | 49 |
| Profit on disposal of assets | | - | 12 |
| | | (7,092) | (5,457) |
| **Operating Loss** | 3 | (6,033) | (11,675) |
| Finance costs – interest payable to group companies | | (1,640) | (1,436) |
| **Loss before Taxation** | | (7,673) | (13,111) |
| Income tax | 4 | 160 | - |
| **Loss for the Year** | | (7,513) | (13,111) |
| **Total comprehensive income for the year** | | | |
| **Attributable to equity owners** | | (7,513) | (13,111) |

## STATEMENT OF FINANCIAL POSITION
### As at 31 December 2016

| | Note | 2016 $000's | 2015 $000's |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | 5 | | |
| Intangible Assets | | 59 | 137 |
| Property, plant and equipment | | 2,445 | 4,303 |
| | | 2,504 | 4,440 |
| **Current assets** | | | |
| Inventories | 6 | 8,238 | 13,657 |
| Trade and other receivables | 7 | 5,310 | 5,811 |
| Cash and cash equivalents | 8 | 1,598 | 1,368 |
| | | 15,146 | 20,836 |
| **TOTAL ASSETS** | | 17,650 | 25,276 |
| **EQUITY AND LIABILITIES** | | | |
| Issued share capital | 9 | 1,608 | 1,608 |
| Accumulated losses | | (35,682) | (28,169) |
| **Total equity** | | (34,074) | (26,561) |
| **Non-current liabilities** | | | |
| Deferred income tax liabilities | 11 | - | 160 |
| Long-term borrowings | 10 | 40,777 | 40,777 |
| | | 40,777 | 40,937 |
| **Current liabilities** | | | |
| Short-term borrowings | 10 | 2,169 | 2,243 |
| Trade and other payables | 12 | 8,778 | 8,657 |
| | | 10,947 | 10,900 |
| **TOTAL EQUITY AND LIABILITIES** | | 17,650 | 25,276 |

The financial statements were approved by the Board of Directors and authorised for issue on 10th August 2017 and they were signed on its behalf by:

Andrew Davies
Director
10th August 2017

## STATEMENT OF CHANGES IN EQUITY
**For the year ending 31 December 2016**

| | Attributable to owners | | |
|---|---|---|---|
| | Issued Share Capital **$000's** | Accumulated losses **$000's** | **Total equity** **$000's** |
| **At 1 January 2015** | 1,608 | (15,058) | (13,450) |
| **2015** | | | |
| Loss and total comprehensive loss for the year | - | (13,111) | (13,111) |
| **At 1 January 2016** | 1,608 | (28,169) | (26,561) |
| **2016** | | | |
| Loss and total comprehensive loss for the year | - | (7,513) | (7,513) |
| **At 31 December 2016** | 1,608 | (35,682) | (34,074) |

STATEMENT OF CASH FLOWS
for the year ending 31 December 2016

| | Note | 2016<br>$000's | 2015<br>$000's |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash flows generated from operating activities | 13 | 1,798 | 1,011 |
| Interest paid | | (1,568) | (1,457) |
| **Net cash flows from/(used in) operating activities** | | 230 | (446) |
| **Cash flows from investing activities** | | | |
| Payments to acquire property, plant and equipment | 5 | - | (176) |
| Receipts from sale of property, plant and equipment | | - | 12 |
| **Net cash flows used in investing activities** | | - | (164) |
| **Net increase / (decrease) in cash and cash equivalents** | | 230 | (610) |
| **Cash and cash equivalents at 1 January** | | 1,368 | 1,978 |
| **Cash and cash equivalents at 31 December** | 8 | 1,598 | 1,368 |

## NOTES TO THE FINANCIAL STATEMENTS

### 1 ACCOUNTING POLICIES

**Corporate information**
5N Plus UK Limited is a private limited company incorporated, registered and domiciled in England.
The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**Basis of preparation**

**Statement of compliance**
These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies.

New and amended standards adopted by the company below:

| | |
|---|---|
| IAS 1 (amendment) | Presentation of Other Comprehensive Income, which changes the grouping of items shown on this statement. |
| IAS 19 (revised 2012) | Employee Benefits, which prescribes the accounting and disclosure for employee benefits. |
| IAS 12 (amendment) | Deferred Tax: Recovery of Underlying Assets – no impact. |
| IAS 32 (amendment) | Financial Instruments: Presentation on offsetting financial assets and financial liabilities. |
| IFRS 7 (amendment) | Disclosures: Transfers of Financial Assets – no impact. |
| IFRS 13 | Fair value measurement, which provides a definition for fair value measurement and related disclosures. |

The impact of these standards did not have a significant impact on the company financial statements, unless otherwise disclosed in the above.

New and amended standards not yet adopted by the company:

| | |
|---|---|
| IFRS 9 (new) | Classification, measurement and recognition of financial assets and liabilities |
| IFRS 15 | Accounting for Revenue from Contracts with Customers |

The adoption of these standards will be considered in detail when endorsed by the EU but it is not anticipated to be material. There are no other standards or interpretations that are not yet effective that would be expected to have a material impact.

**Going concern**
On September 29, 2016, the company's parent undertaking announced the consolidation of its operations at Wellingborough with other sites within the parent group. As a result the trading activities of the company will cease towards the end of the 2017 financial year with residual trading activities expected to cease by the end of the year and the company will be liquidated.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

The directors have therefore prepared the financial statements on the basis that the company is no longer a going concern and have reviewed the accounting policies and estimates applied in the financial statements. As a result a material change in the expected useful economic life and residual values of property plant and equipment was made to reflect the expectation that they will be disposed of via sale or scrapped in the following financial year. In addition provisions for incremental costs committed to at the reporting date as a result of the closure have been made. The impact of these changes are set out in the note 5and 12 of the financial statements. Furthermore, as disclosed in note 10, there has been a waiver of intra group loans subsequent to the reporting date amounting to $35,977k.

**Critical accounting estimates and judgements**
The company makes estimates and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of inventory and property plant and equipment in the next financial year are addressed below.

**Functional currency**
The company's functional currency is the US Dollar as most of the company's transactions are denominated and paid in US Dollars.

**Transactions and balances**
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of total comprehensive income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

**Revenue recognition**
The company refines and markets non-ferrous metals, including gallium, indium, selenium, tellurium and bismuth, and also manufactures and markets fusible alloys and fine chemicals. Revenue is recognised when substantially all the risks and rewards of ownership pass to the customer. The point at which the risks and rewards of ownership are transferred may be at the point of despatch, or at delivery to a particular destination, and is defined in the terms and conditions attached to the transaction.

Revenue is stated at the invoiced amount, net of discounts and sales taxes.

**Inventories**
Purchases are recognised as inventory at the date the risks and rewards are transferred to the company. Inventory valuation is based on the lower of cost or net realisable value.
The cost of raw materials and components is the purchase cost on a weighted average basis less any appropriate net realisable value provision.

Net realisable value is determined by management after taking in to consideration:

- Market values achieved over a representative period
- Known sales order valuation if appropriate
- Current negotiating position for future purchase contracts
- Cost to sell

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

The company estimates the net realisable value of inventories with reference to sales prices in the three to six months preceding the balance sheet date. The company's assessment is that future sales prices will be stable at the level shown in this period. Should inventory prices subsequently fall below these prices the actual net realisable of inventory may be materially less than as used in the calculation of inventory impairments.

Included within the inventory valuation is an apportionment of the production overhead, to reflect the value added work carried out on work in progress and finished goods.

Where the carrying value of inventory is deemed to be higher than the net realisable value an impairment cost is charged to the statement of total comprehensive income. Dependent on the current inventory holding the impairment charge may distort the gross margin for that specific metal.

**Cash and Cash equivalents**
Cash and cash equivalents include short term deposits and cash at bank and in hand.

**Trade and other receivables**
Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Trade receivables are recognised initially at fair value, less any necessary provision for doubtful debts. Bad debts are written off once identified.

These are included in current assets except for maturities greater than 12 months after the end of the reporting year.

**Impairment of financial assets**
The company assesses at the end of each reporting year whether there is evidence of impairment of financial assets. If there is evidence that the asset is impaired by events, having an impact on the future cash flows, occurring after the recognition of the asset the carrying amount of the asset is reduced accordingly.

**Trade and other payables**
Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from its suppliers. They are not interest bearing and are initially stated at their fair value, then subsequently at amortised cost.

Accounts payable are classified as current liabilities if payment is due within one year or less and if not they are presented as non-current liabilities

**Borrowings**
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Comprehensive Income over the period of the borrowings using the effective interest method.

**Offsetting financial instruments**
Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position where there is a legally enforceable right to offset the amounts and an intention to settle on a net basis or to realise them simultaneously.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**Financial Instruments**
Financial instruments include trade and other receivables, trade and other payables and short-term borrowings.

The company classifies its financial assets as loans and receivables, which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting year. These are classified as non-current assets.

The company's loans and receivable comprise cash and cash equivalents and trade and other receivables in the statement of financial position. They are initially recognised at fair value on the trade date and are subsequently carried at amortised cost using the effective interest method.

Financial assets are derecognised when the rights to receive cash flows from financial assets have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

An explanation of the company's financial instrument risk management objectives, policies and strategies are set out in the Strategic report on pages 2-4.

**Intangible Assets**
As a manufacturer, 5N Plus UK Limited as well as all EU manufacturers must at all times be fully compliant with all relevant EU directives. Pertaining to Indium, an essential metal used in the production of many products including but not limited to solar panels, new EU regulations have been proposed which if implemented will materially impact on the manner in which the products may be sold or distributed.

REACH is a consortium of EU manufacturers of which 5N Plus is a member to which the company pays a fee in order to determine the impacts of changing legislation which could affect the future use and sale of Indium as used in the manufacturing process within the EU.

REACH consortium fees are recorded at cost less accumulated amortisation. Amortisation is provided in equal annual instalments at a rate designed to reduce the net book value of the asset to its estimated residual value and the end of its expected useful life, in this case 5 years and is shown as part of depreciation and amortisation on the face of the statement of comprehensive income.

**Property, plant and equipment**
Property, plant and equipment is recorded at cost less accumulated depreciation.
Subsequent costs are included in the asset's carrying amount or recognised as a separate asset as appropriate only when it is probable that future economic benefits will flow to the company. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income as incurred.
Depreciation is provided in equal annual instalments at rates designed to reduce the net book values of the assets to their estimated residual values at the end of their expected useful lives.

The maximum useful lives are estimated as follows:

| | |
|---|---|
| Freehold Land is not depreciated | |
| Freehold buildings | 25 years |
| Plant and equipment | 8 years |

| | |
|---|---|
| Computer and other | 3 to 4 years |

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

The period of actual use or economic benefit may differ from these estimated lives. The asset's residual values and lives are reviewed and adjusted if appropriate at the end of each accounting year. Note 5 refers to the impairment charged in 2016 due to the site closure.
Profit on disposal of assets is calculated by reference to the carrying amount and the proceeds on disposal and the result is taken to the statement of comprehensive income immediately.

**Exceptional expenses**
Exceptional expenses comprise items of a material and non-recurring nature. In the current year these pertain to the planned closure of the business.

**Impairment of non-financial assets**
The carrying amounts of the company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. An impairment loss is recognised if the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

The company estimates the recoverable amount of non-financial assets by cash-generating unit with reference to future expected cash flows. The key assumption is that of future stable market prices for its products.

**Current and deferred income tax**
The charge for taxation is based primarily on the profit for the year, and is calculated using tax rates enacted at the statement of financial position date. The charge for tax takes into account taxation deferred or accelerated because of temporary differences between the treatment of certain items for accounting and taxation purposes. Deferred taxation is recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Credit is taken for deferred tax assets to the extent it is probable that the asset will be recovered in the near future.

In recognising income tax assets and liabilities estimates have to be made as to the likely outcome of decisions by tax authorities on transactions and events whose outcomes are uncertain and on the expected manner of realisation or settlement of deferred tax assets and liabilities.

**Retirement benefit obligations**
The company meets its obligations for retirement benefits by defined contribution pension schemes, the costs of which are expenses in the year to which they relate. In 2014 the company commenced an auto-enrolment compliant pension scheme.

**Leases**
The company has no finance leases (2015: nil) (defined as leases where substantially all the risks and benefits of ownership are assumed by the company). Leases in which a significant proportion of the risks and rewards of ownership are retained by the lessor are classed as operating leases. Operating lease expenditure is written off in equal instalments over the period of the lease. Early termination costs are written off when incurred.

**Share Capital**
Ordinary shares are classified as equity.

## 2 REVENUE

| | 2016 | 2015 |
|---|---|---|
| | $000's | $000's |
| *Revenues are shown according to the location of the customer.* | | |
| European Union | 27,866 | 37,595 |
| Rest of Europe | 514 | 723 |
| North America | 3,203 | 8,621 |
| South America | 751 | 1,160 |
| Asia | 4,009 | 8,399 |
| Other | 1,223 | 1,857 |
| | **37,566** | **58,355** |

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

## 3 OPERATING LOSS

| | 2016 | 2015 |
|---|---|---|
| *Staff Costs* | $000's | $000's |
| Wages and salaries | 2,330 | 2,609 |
| Social security costs | 229 | 261 |
| Other pension costs | 41 | 58 |
| Termination payments | 1,874 | - |
| | **4,474** | **2,928** |

| | 2016 | 2015 |
|---|---|---|
| *Allocation of Staff Costs* | $000's | $000's |
| Cost of sales | 1,982 | 2,233 |
| Distribution costs and administrative costs | 618 | 695 |
| Restructuring provision for site closure | 1,874 | - |
| | **4,474** | **2,928** |

| | 2016 | 2015 |
|---|---|---|
| *Average monthly number of employees in the year (including directors)* | Number | Number |
| Manufacturing and development | 36 | 42 |
| Sales and distribution | 4 | 4 |
| Administration | 5 | 5 |
| | **45** | **51** |

| | 2016 | 2015 |
|---|---|---|
| *Directors' remuneration* | $000's | $000's |
| Emoluments (two directors 2016, one director 2015) | 375 | 206 |
| Contribution to defined contribution pension scheme | 25 | 19 |
| Termination payments (included in restructuring provision) | 699 | - |
| | **1,099** | **225** |

| | 2016 | 2015 |
|---|---|---|
| *Highest paid director* | $000's | $000's |

| | | |
|---|---|---|
| Total emoluments and amounts (excluding shares) receivable under long term incentive schemes | 253 | 206 |
| Contribution to defined contribution pension scheme | 19 | 19 |
| Termination payments (included in restructuring provision) | 490 | - |
| | **762** | **225** |

Employer's National Insurance contributions paid in respect of the highest paid director totalled $31k, (2015: $31k).

No Director had any interest in the shares of the company. The interests of the Directors in the shares of the parent company at the reporting date are shown in that company's annual financial statements.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

| | 2016<br>$'000's | 2015<br>$'000's |
|---|---|---|
| **Operating loss is stated after charging/(crediting):** | | |
| Amortisation of intangible assets | 78 | 59 |
| Depreciation of property, plant and equipment | 1,936 | 1,224 |
| Restructuring provision for site closure | 2,750 | - |
| Profit on disposal of assets | - | (12) |
| Inventory included within cost of sales | 35,677 | 57,526 |
| Inventory (provision release) / write-down | (2,894) | 2,830 |
| Foreign exchange losses | 86 | 302 |
| Operating lease rentals: plant and equipment | - | 10 |
| Operating lease rentals: motor vehicles | 15 | 16 |
| Auditors' remuneration for statutory audits | 44 | 50 |
| Auditors' remuneration for taxation advisory services | 27 | 4 |

| 4 INCOME TAX CHARGE | 2016<br>$'000's | 2015<br>$'000's |
|---|---|---|
| Deferred tax (note 11) | (160) | - |
| Tax on current year results per statement of total comprehensive income | **(160)** | - |
| Loss before taxation | (7,673) | (13,111) |
| Tax on accounting loss: 2016: 20% (2015: 20.25%) | (1,535) | 2,655 |
| Adjustments in respect of prior years – deferred tax | 83 | - |
| Fixed asset differences | 93 | - |
| Transfer pricing adjustment | (3) | - |
| Deferred tax not recognised | 528 | (2,655) |
| Other – change in tax rates | 674 | - |
| Tax on current year results | **(160)** | - |

**Factors affecting current and future tax charges**

The Finance Act 2015, which was substantively enacted on 2 July 2013, reduced the UK corporation tax rate to 20% effective from 1 April 2015 for current tax.

The Finance Act 2016, which was substantively enacted on 15 September 2016, has given the option to reduce the rate to 17% for deferred tax. Therefore, the relevant deferred tax balances have been re-measured at 17%.

NOTES TO THE FINANCIAL STATEMENTS (continued)

## 5 NON-CURRENT ASSETS

### INTANGIBLE ASSETS

| | 2016 $000's | 2015 $000's |
|---|---|---|
| *Cost* | | |
| At 1 January | 295 | 295 |
| Additions | - | - |
| At 31 December | **295** | **295** |
| *Accumulated Amortisation* | | |
| At 1 January | (158) | (99) |
| Charged in year | (78) | (59) |
| At 31 December | **(236)** | **(158)** |
| *Net Book Value* | | |
| At 31 December | **59** | **137** |

The REACH Indium Consortium was set up in 2011 aiming to prepare for new EU REACH Regulation which requires the registration of Indium and several related compounds. REACH is an acronym: **R**egistration **E**valuation, **A**uthorisation and Restriction of **Ch**emicals

### PROPERTY, PLANT and EQUIPMENT

| | Freehold Land And Buildings $000's | Plant and Equipment $000's | Computers and other $000's | TOTAL $000's |
|---|---|---|---|---|
| ***Cost*** | | | | |
| At 1 January 2015 | 3,935 | 6,029 | 615 | 10,579 |
| Additions | 43 | 85 | 48 | 176 |
| Disposals | - | - | (115) | (115) |
| At 1 January 2016 | **3,978** | **6,114** | **548** | **10,640** |
| Additions | - | - | - | - |
| Disposals | - | - | - | - |
| At 31 December 2016 | **3,978** | **6,114** | **548** | **10,640** |
| ***Accumulated Depreciation and Impairment*** | | | | |
| At 1 January 2015 | (1,609) | (3,203) | (416) | (5,228) |
| Charged in year | (261) | (901) | (62) | (1,224) |
| Disposals | - | - | 115 | 115 |
| At 1 January 2016 | **(1,870)** | **(4,104)** | **(363)** | **(6,337)** |
| Charged in year | (126) | (1,580) | (152) | (1,858) |
| Disposals | - | - | - | - |
| At 31 December 2016 | **(1,996)** | **(5,684)** | **(515)** | **(8,195)** |
| **Net Book Value** | | | | |
| At 31 December 2015 | **2,108** | **2,010** | **185** | **4,303** |
| At 31 December 2016 | **1,982** | **430** | **33** | **2,445** |

NOTES TO THE FINANCIAL STATEMENTS (continued)

**PROPERTY, PLANT and EQUIPMENT (continued)**

Freehold land and buildings includes an element of cost for land of $922,084 (2015:$922,084) which is not depreciated.

The Directors consider that there is not a material difference between current holding value and market value for land & building.

During 2016, $1,206k impairment was charged in the year to reduce down the net book value of the plant & machinery and fixtures & fitting to a realisable value based on the sale of the equipment as part of the site closure.

The majority of the property, plant and equipment are pledged as security for the group revolving credit facility.

| 6 INVENTORIES | 2016 $000's | 2015 $000's |
|---|---|---|
| Raw materials and consumables | 3,811 | 8,094 |
| Work-in-progress | 1,534 | 1,699 |
| Finished goods | 2,893 | 3,864 |
| | **8,238** | **13,657** |

In many circumstances the inventory of metal can be utilised as either Raw Material or as a Finished Product. The company holds provisions against inventories for net realisable value and known obsolete or slow moving stock. In 2016 this totalled $2.800m (2015:$5.693m).

The majority of inventories are pledged as security for the group revolving credit facility.

| 7 TRADE AND OTHER RECEIVABLES | 2016 $000's | 2015 $000's |
|---|---|---|
| Trade Receivables | 3,729 | 2,578 |
| Amounts owed by fellow group undertakings | 1,088 | 2,998 |
| VAT and payroll taxes | 404 | 136 |
| Prepayments | 89 | 99 |
| | **5,310** | **5,811** |

Trade receivables are non-interest bearing with credit periods of between 30 and 120 days.
Amounts owed by fellow group undertakings are non-interest bearing and recoverable within 1 year.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**TRADE AND OTHER RECEIVABLES (continued)**

The analysis of amounts owed by trade receivables and by fellow group undertakings that were past due but not impaired is as follows:

| | Total | Neither past due nor impaired | Past due but not impaired <30 days | Past due but not impaired >30 days |
|---|---|---|---|---|
| | $000's | $000's | $000's | $000's |
| 2016 | 4,817 | 4,077 | 157 | 583 |
| 2015 | 5,576 | 3,021 | 1,002 | 1,553 |

The credit quality of receivables from fellow group undertakings is assessed by information internal to 5N Plus Inc.

**Reconciliation of Movement in Bad Debt Provision**

| | 2016 $000's | 2015 $000's |
|---|---|---|
| Opening Bad Debt Provision – at 1 January | 441 | - |
| Charge during the year | 7 | 441 |
| Provision Utilised during the year | (437) | - |
| Closing Bad Debt Provision – at 31 December | 11 | 441 |

## 8 CASH AND CASH EQUIVALENTS

| | 2016 $000's | 2015 $000's |
|---|---|---|
| Cash and cash equivalents | **1,598** | **1,368** |
| Cash and cash equivalents comprise: | | |
| USD denominated | 914 | 347 |
| Euro denominated | 237 | 666 |
| GBP denominated | 447 | 355 |
| | **1,598** | **1,368** |

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

## 9 ISSUED SHARE CAPITAL

The total authorised share capital as at 31 December 2016 was 1,000,000 (2015: 1,000,000) ordinary shares of £1 each.

| Issued and fully paid : | 2016 Number | 2016 $'000's | 2015 Number | 2015 $'000's |
|---|---|---|---|---|
| Ordinary shares of $1.61 (£1.00) each | | | | |
| At 1 January | 1,000,000 | 1,608 | 1,000,000 | 1,608 |
| At 31 December | 1,000,000 | 1,608 | 1,000,000 | 1,608 |

## 10 BORROWINGS

| | 2016 $000's | 2015 $000's |
|---|---|---|
| Non-current loans from group undertakings | **40,777** | **40,777** |
| Current loans from group undertakings | **2,169** | **2,243** |

Current loans from group undertakings are repayable at any time by agreement between the loan holders and the company. There are two current loans; $1.814m on which interest is charged at 3.5%; and $0.4m on which no interest is charged. The non-current loan is a $67m unsecured intra group revolving credit facility the maturity date of which was extended in the year to August 2018 (2014 August 2015) unless cancelled or terminated earlier by the company. Interest is charged at 6 months USD Libor plus 2.9%.

In March 2017 there was a loan forgiveness on the non-current loan of $35,977k to bring the total balance owing to $4,800k.

## 11 DEFERRED INCOME TAX LIABILITIES

Deferred tax is calculated on all temporary differences under the balance sheet liability method, using appropriate tax rates. Deferred tax relates to accelerated capital allowances in excess of accounting depreciation.

| *Summary of deferred tax balances* | 2016 $'000's | 2015 $'000's |
|---|---|---|
| Deferred tax liabilities | - | **160** |
| At 1 January | 160 | 160 |
| Credit to statement of total comprehensive income in the year | (160) | - |
| At 31 December | - | **160** |

There are trade losses of $47,955k (2015: $43,708k) carried forward by the company which would at a rate of 17% be a deferred tax asset of $8,152k (2015: $8,742k). However, this asset has not been recognised in the financial statements as the directors do not believe it is probable that sufficient future taxable profits will be available against which the unused tax losses can be utilised.

NOTES TO THE FINANCIAL STATEMENTS (continued)

## 12 TRADE AND OTHER PAYABLES

Trade payables are non-interest bearing and credit terms are between immediate settlement and 30 days. Amounts owed to fellow group undertakings are interest free and repayable on demand.

| | 2016 $000's | 2015 $000's |
|---|---|---|
| Trade Payables | 1,532 | 1,569 |
| Amounts Owed to Related Companies ( Note 15) | 4,075 | 5,549 |
| Deferred Income | 9 | 215 |
| Restructuring Provision – Site Closure | 2,595 | - |
| Other Payables | 567 | 1,324 |
| | **8,778** | **8,657** |

During the year a provision for the site closure costs was created at a value of $2,750k. The provision balance at the year-end was $2,595k. The purpose of the provision is to cover all costs likely to be incurred with ceasing the trade activities in the UK and includes dismantling the plant and equipment, the environmental remediation of the site, employee termination costs and certain administrative costs. The main area of uncertainty involves the environmental issues and a contingency has been put in place to cover any unforeseen costs. An environmental report will be commissioned in 2017.

## 13 CASH GENERATED FROM OPERATIONS

| | 2016 $000's | 2015 $000's |
|---|---|---|
| *Reconciliation of loss to net cash inflow from operating activities* | | |
| Loss before taxation | (7,673) | (13,111) |
| Net interest paid | 1,568 | 1,457 |
| | **(6,105)** | **(11,654)** |
| Not involving a movement of cash: | | |
| Other Movements Non-Cash | (75) | (9) |
| Movement on Inventory Provision | (2,893) | 2,830 |
| (Profit) on sale of fixed assets | - | (12) |
| Depreciation and amortisation | 1,936 | 1,283 |
| | **(7,137)** | **(7,562)** |
| Decrease in inventories | 8,312 | 17,491 |
| Decrease in trade and other receivables | 501 | 5,071 |
| Increase/(Decrease) in trade and other payables | 122 | (13,989) |
| Net working capital changes | **8,935** | **8,573** |
| **Cash flows from operating activities** | **1,798** | **1,011** |

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 14 CONTINGENCIES and COMMITMENTS

Capital commitments as at 31 December 2016 are $NIL (2015: $NIL).

Total commitments payable under operating leases are:

| | 2016<br>$000's | 2015<br>$000's |
|---|---|---|
| Minimum lease payments falling due within 1 year | 13 | 15 |
| Minimum lease payments falling due between 2-5 years | 10 | 27 |
| | **23** | **42** |

The company has outstanding contingent liabilities, in the form of bank guarantees, totalling $385k (2015:$466k).

### 15 RELATED PARTY DISCLOSURES

All intra group sales and purchases relate to materials, interest payments and management fees.

| | 2016<br>Sales<br>$'000's | 2016<br>Purchases<br>$'000's | 2016<br>Amounts payable<br>$'000's | 2016<br>Amounts receivable<br>$'000's | 2016<br>Loans payable<br>$'000's |
|---|---|---|---|---|---|
| ***Parent Undertakings*** | | | | | |
| 5N Plus Inc. | 402 | 2,856 | 1,203 | 114 | 40,777 |
| MCP Group SA | - | 65 | 5 | - | 1,814 |
| MCP Metals and Chemicals Ltd | - | - | - | - | 354 |
| ***Other Group Companies*** | | | | | |
| 5N Plus Luxembourg Sarl | - | 1,519 | - | - | - |
| MCP France SA | - | 47 | - | - | - |
| 5N Plus Semiconductors | - | 65 | - | - | - |
| 5N Plus Belgium SA | 1,220 | 3,791 | 1,512 | 137 | - |
| 5N Plus Korea | - | 121 | - | 440 | - |
| 5N Plus (Shangyu) Ltd | 98 | - | - | - | - |
| 5N Plus (Asia) Limited | 6 | 5,155 | 1,353 | 6 | - |
| 5N Plus Lubeck GmbH | 4,832 | 1,890 | - | 378 | - |
| 5N Plus Fairfield Inc | 2,756 | 328 | 2 | 13 | - |
| China Industrial Resources | 282 | 44 | - | - | - |
| | **9,596** | **15,881** | **4,075** | **1,088** | **42,945** |

NOTES TO THE FINANCIAL STATEMENTS (continued)

| | 2015 Sales | 2015 Purchases | 2015 Amounts payable | 2015 Amounts receivable | 2015 Loans payable |
|---|---|---|---|---|---|
| | $'000's | $'000's | $'000's | $'000's | $'000's |
| ***Parent Undertakings*** | | | | | |
| 5N Plus Inc | 1,723 | 4,804 | 203 | 67 | - |
| MCP Group SA | - | 64 | 16 | - | 1,814 |
| MCP Metals and Chemicals Ltd | - | - | - | - | 429 |
| ***Other Group Companies*** | | | | | |
| 5N Plus Luxembourg Sarl | - | 1,372 | 358 | - | 40,777 |
| MCP France SA | 18 | 166 | 6 | - | - |
| 5N Plus Spain | 3 | 5 | - | - | - |
| 5N Plus Belgium SA | 1,266 | 9,760 | 4,640 | 912 | - |
| 5N Plus Korea | 2,458 | - | - | 1,874 | - |
| 5N Plus (Shangyu) Ltd | 75 | 25 | - | 11 | - |
| 5N Plus (Asia) Limited | 38 | 10,530 | 322 | - | - |
| 5N Plus Lubeck GmbH | 6,468 | 673 | 3 | 133 | - |
| 5N Plus Fairfield Inc | 6,270 | 365 | 1 | 1 | - |
| China Industrial Resources | 148 | 64 | - | - | - |
| Sylarus Technologies LLC | 22 | 117 | - | - | - |
| | **18,489** | **27,945** | **5,549** | **2,998** | **43,020** |

## 16 PARENT UNDERTAKING

The company is a wholly owned subsidiary of MCP Metals & Chemicals Limited, a company incorporated in the United Kingdom. The ultimate parent as at the year-end date was 5N Plus Inc, a public company incorporated in Canada. Consolidated financial statements are prepared by 5N Plus Inc, being the only set of related entity for which consolidated financial statements are prepared. The published financial statements of 5N Plus Inc are available for download from the group website www.5nplus.com.

## 17 KEY MANAGEMENT REMUNERATION

The Directors are considered to be key management and their compensation is reflected in note 3.

NOTES TO THE FINANCIAL STATEMENTS (continued)

## 18 FINANCIAL INSTRUMENTS

The company's financial instruments comprise cash, loans, trade receivables and trade payables that arise from its operations. There was no material difference between the book and fair value of financial assets and liabilities at 31st December 2016 (2015: nil).

**Credit risk**
There are no significant concentrations of credit risk, other than to Group undertakings as disclosed in note 7. The maximum credit risk exposure relating to financial assets is represented by carrying value as at the statement of financial position date.

**Liquidity risk**
Liquidity risk management includes maintaining sufficient cash and the availability of funding from a group credit facility. The maturity profile of the company's financial liabilities is shown in note 10.

**Market risk**
Market risks and uncertainties are discussed in the Strategic Report.