

Company Registration No. 05171663 (England and Wales)

OCEAN PARTNERS HOLDINGS LIMITED
CONSOLIDATED ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018



OCEAN PARTNERS HOLDINGS LIMITED

COMPANY INFORMATION

Directors

Jeffrey Beck (Chairman)
Sinisa Bogicevic
Devin Burnett
Walter Cimowsky
Alan Paterson
Siva Pillay
Ad van Halder
Brent Omland
Stephen Ball (appointed 1 January 2018)

Secretary

John Foley (appointed 1 January 2018)

Company number

05171663

Registered office

The Pearce Building
West Street
Maidenhead
SL6 1RL

Auditor

Citroen Wells
Chartered Accountants
Devonshire House
1 Devonshire Street
London
W1W 5DR

Solicitors

Memery Crystal LLP
165 Fleet Street
London
EC4A 2DY

OCEAN PARTNERS HOLDINGS LIMITED

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OCEAN PARTNERS HOLDINGS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their strategic report for the year ended 31 December 2018.

Fair review of the business

The Ocean Partners group of companies entered its fifteenth year of trading with a sound balance sheet and a satisfactory core group of customers and suppliers. The group's business is to act as principal between miners and smelters around the world, in the trading of metal ores, concentrates and secondary materials, primarily copper, lead, zinc, gold and silver. The group is also a significant blender of concentrates. In 2018, the group started trading Manganese ores as a new product.

The parent company's business is to co-ordinate the trading and investment activities of the companies in the Ocean Partners group.

The group business model has remained fairly consistent over recent years but the industry remains one in which volumes and profitability are extremely volatile across every commodity group the group trades, which can lead to significant fluctuations month on month. The group continues to face increased competition from new entrants and existing participants looking to increase market share in the general ores and concentrate markets. Market conditions remained particularly tough throughout the year leading to profitability being substantially down from previous years.

Principal risks and uncertainties

Financial instruments of significance to the group comprise primary financial instruments (mainly cash, borrowings, debtors and creditors) and derivative financial instruments (mainly London Metal Exchange ("LME") contracts and foreign exchange contracts).

The main financial risks to which the group is exposed are market risk, counterparty risk, interest rate risk and liquidity risk.

Market risk is the risk that movements in metal prices or foreign exchange rates will cause fluctuations in the values of, or cash flows arising from, financial assets and liabilities, and from other contracts for the future delivery of metal. Exposures to metal price movements and foreign exchange rate fluctuations are restricted by the imposition of trading position limits by the Ocean Partners board, and by the use of LME contracts and foreign exchange contracts.

Counterparty risk is the risk that a customer or supplier will fail to fulfil their contractual obligations. Exposure to counterparty risk is reduced by use of credit control policies, which are approved centrally, including the use of credit limits, volume of business limits and the margining of customers. In addition, the group maintains a credit insurance policy.

Interest rate risk is the risk that increases or decreases in floating interest rates will adversely affect the group's performance. Exposure to interest rate risk is reduced by using short term financing dedicated to specific business and factoring interest charges into the prices it charges its customers and receives from its suppliers to cover this expense.

The risk that adequate funding is not available to the group to meet its commitments associated with financial instruments is liquidity risk. The Ocean Partners group plans its future business in conjunction with its borrowing facilities to avoid liquidity problems, and maintains relationships with lenders to ensure facility levels, including facilities for the derivatives noted above. These are adequate and can be adjusted to address any changes in the Ocean Partners group's requirements.

Future developments

The concentrate trading market, including concentrate blending, in which the group operates is inherently volatile and in the current market conditions, it is difficult to forecast that trading volumes can be maintained at the level of previous years. The challenging market conditions experienced throughout 2018 have continued into the new financial year with profitability once again being challenged and as a result of this it is unlikely that we will see a return to the pre-2018 profit levels for the time being. However, the group continues to have a sound financial position and a diversified business base and is well placed to operate the business positively even in inherently volatile and challenging markets.

OCEAN PARTNERS HOLDINGS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

Development and performance

The key financial performance indicators for the last three accounting periods are as follows:

	31 December 2018 US\$'000	31 December 2017 US\$'000	31 December 2016 US\$'000
Gross profit (Page 7)	42,872	53,597	50,135
Profit and total comprehensive income for the year (Page 7)	1,653	10,185	9,748
Staff costs (Page 19)	12,641	16,558	16,695
Average number of staff (Page 19)	115	109	114

Metal prices generally traded at higher averages than the prior year and there was a modest increase in volumes however the group's trading turnover dropped marginally due to changes in product mix with more sales of lower value goods as compared to 2017. Gross profit percentage from continuing operations slightly decreased to 1.99% (2017: 2.44%).

On behalf of the board



Brent Omland
Director
21 May 2019

OCEAN PARTNERS HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their annual report with the audited financial statements of the company and the group for the year ended 31 December 2018.

Directors

The directors who held office during the year, and up to the date of the signing of the financial statements, were as follows:

Jeffrey Beck	(chairman)
Sinisa Bogicevic	
Devin Burnett	
Walter Cimowsky	
Alan Paterson	
Siva Pillay	
Ad Van Halder	
Brent Omland	
Stephen Ball	(appointed 1 January 2018)

Results and dividends

The results for the year are set out on page 7.

During the year, the company paid a dividend of US\$6,200 per ordinary share (2017: US\$5,954 per ordinary share).

Auditor

The auditor, Citroen Wells, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the group's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the group's auditor is aware of that information.

On behalf of the board



Brent Omland
Director
21 May 2019

OCEAN PARTNERS HOLDINGS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and group and of the profit or loss of the company and group 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 the financial statements have been prepared in accordance with applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the transactions of the company and group and disclose with reasonable accuracy at any time the financial position of the company and the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

OCEAN PARTNERS HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF OCEAN PARTNERS HOLDINGS LIMITED

Opinion

We have audited the financial statements of Ocean Partners Holdings Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2018 which comprise the Group Profit and Loss Account, the Group Balance Sheet, the Company Balance Sheet, the Group Statement of Changes in Equity, the Company Statement of Changes in Equity, the Group Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2018 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

OCEAN PARTNERS HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF OCEAN PARTNERS HOLDINGS LIMITED

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the group'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 group'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 group and the group's members as a body, for our audit work, for this report, or for the opinions we have formed.


Jonathan Prevezer FCA (Senior Statutory Auditor)
for and on behalf of Citroen Wells

Chartered Accountants
Statutory Auditor

21/5/19

Devonshire House
1 Devonshire Street
London
W1W 5DR

OCEAN PARTNERS HOLDINGS LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 US\$'000	2017 US\$'000
Turnover	3	2,157,221	2,201,059
Cost of Sales		(2,114,349)	(2,147,462)
Gross profit		<u>42,872</u>	<u>53,597</u>
Administrative expenses		(25,469)	(24,877)
Other operating gain/(loss)		<u>1,752</u>	<u>(184)</u>
Operating profit	4	19,155	28,536
Interest receivable and similar income	8	8,551	5,943
Interest payable and similar charges	9	(25,675)	(19,043)
Profit before taxation		<u>2,031</u>	<u>15,436</u>
Taxation	10	(378)	(5,251)
Profit and total comprehensive income for the financial year		<u><u>1,653</u></u>	<u><u>10,185</u></u>

The profit and loss account for 2018 has been prepared on the basis that all operations are continuing operations.

The company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the company profit and loss account. There was a profit for the company of US\$4,540,000 (2017: US\$6,938,000).

OCEAN PARTNERS HOLDINGS LIMITED

BALANCE SHEETS

AS AT 31 DECEMBER 2018

		2018	Group 2017	2018	Company 2017
	Note	US\$'000	US\$'000	US\$'000	US\$'000
Fixed assets					
Intangible assets	12	1,371	1,103	-	-
Tangible assets	13	812	859	-	-
Investments	14	9,268	966	14,159	14,659
		<u>11,451</u>	<u>2,928</u>	<u>14,159</u>	<u>14,659</u>
Current assets					
Stocks	15	527,635	523,324	-	-
Debtors: amounts falling due within one year	16	215,018	369,035	18,276	15,776
Debtors: amounts falling due after more than one year	17	55,905	56,908	8,777	9,866
Cash at bank and in hand		35,615	56,454	937	3,206
		<u>834,173</u>	<u>1,005,721</u>	<u>27,990</u>	<u>28,848</u>
Creditors: amounts falling due within one year	19	(754,312)	(910,435)	(19,014)	(16,357)
Net current assets		<u>79,861</u>	<u>95,286</u>	<u>8,976</u>	<u>12,491</u>
Debtors subject to non-recourse finance arrangement		-	14,000	-	-
Less: Non-recourse finance arrangement		-	(14,000)	-	-
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Creditors: amounts falling due after more than one year	20	(1,440)	(4,898)	(1,440)	(4,898)
Net assets		<u>89,872</u>	<u>93,316</u>	<u>21,695</u>	<u>22,252</u>
Capital and reserves					
Called up share capital	23	1	1	1	1
Share premium account		21,444	21,444	21,444	21,444
Profit and loss account		68,427	71,871	250	807
Total equity		<u>89,872</u>	<u>93,316</u>	<u>21,695</u>	<u>22,252</u>

The financial statements were approved by the board of directors and authorised for issue on 21 May 2019 and were signed on its behalf by:



Siva Pillay
Director

Company Registration No. 05171663

OCEAN PARTNERS HOLDINGS LIMITED

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

Group	Share capital US\$'000	Share premium account US\$'000	Profit and loss account US\$'000	Total US\$'000
Balance at 1 January 2017	1	17,304	70,757	88,062
Profit and total comprehensive income for the year	-	-	10,185	10,185
Issue of share capital	-	4,280	-	4,280
Dividends	-	-	(4,893)	(4,893)
Redemption of shares	-	(140)	(4,178)	(4,318)
Balance at 31 December 2017	1	21,444	71,871	93,316
Profit and total comprehensive income for the year	-	-	1,653	1,653
Dividends	-	-	(5,097)	(5,097)
Balance at 31 December 2018	1	21,444	68,427	89,872

Company	Share capital US\$'000	Share premium account US\$'000	Profit and loss account US\$'000	Total US\$'000
Balance at 1 January 2017	1	17,304	2,940	20,245
Profit and total comprehensive income for the year	-	-	6,938	6,938
Issue of share capital	-	4,280	-	4,280
Dividends	-	-	(4,893)	(4,893)
Redemption of shares	-	(140)	(4,178)	(4,318)
Balance at 31 December 2017	1	21,444	807	22,252
Profit and total comprehensive income for the year	-	-	4,540	4,540
Dividends	-	-	(5,097)	(5,097)
Balance at 31 December 2018	1	21,444	250	21,695

OCEAN PARTNERS HOLDINGS LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	US\$'000	2018 US\$'000	2017 US\$'000
Cash inflow/(outflow) from operating activities	29	81,379		(234,684)
Tax paid		(3,883)		(5,692)
Net cash inflow/(outflow) from operating activities			77,496	(240,376)
Cash flow from investing activities				
Interest received		8,551		5,943
Payments to acquire tangible assets		(252)		(403)
Payments to acquire intangible assets		(414)		(372)
Payments to acquire investments		(8,673)		(592)
Receipts from sales of tangible assets		-		1,492
Net cash (outflow)/inflow from investing activities			(788)	6,068
Cash flow from financing activities				
Interest paid		(25,675)		(19,043)
Loans notes repaid		(1,560)		(1,876)
Dividends paid		(5,097)		(4,893)
Shares issued		-		4,280
Shares repurchased		-		(4,318)
(Decrease)/increase in bank finance		(65,215)		244,506
Net cash (outflow)/inflow from financing activities			(97,547)	218,656
Net decrease in cash and cash equivalents			(20,839)	(15,652)
Cash and cash equivalents at beginning of year			56,454	72,106
Cash and cash equivalents at the end of the year	29		35,615	56,454

OCEAN PARTNERS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

Company information

Ocean Partners Holdings Limited is the parent company of a group that acts as a principal in the trading of metal ores, concentrates and secondary materials, primarily copper, lead, zinc, gold and silver.

The company is a private company limited by shares and is incorporated and domiciled in England. The address of the registered office is The Pearce Building, West Street, Maidenhead, England, SL6 1RL.

1.1 Accounting convention

These financial statements have been prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements have been prepared on a going concern basis, under the historical cost convention, modified to include the revaluation of stock and certain financial instruments at fair value through profit or loss.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to both years presented, unless otherwise stated.

Basis of preparation

The company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the company profit and loss account.

1.2 Basis of consolidation

The group consolidated financial statements include the financial statements of the parent company and all of its subsidiary undertakings together with the group's share of the results of associates and the joint venture, made up to 31 December 2018.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where the group owns less than 50% of the voting powers of an entity but controls the entity by virtue of an agreement with other investors which gives it control of the financial and operating policies of the entity it accounts for that entity as a subsidiary.

Where a subsidiary has different accounting policies to the group, adjustments are made to those subsidiary financial statements to apply the group's accounting policies when preparing the consolidated financial statements.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the group holds a long-term interest and where the group has significant influence. The group considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate. The results of associates are accounted for using the equity method of accounting.

A joint venture is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

Any subsidiary undertakings or associates sold or acquired during the year are included up to, or from, the dates of change of control or change of significant influence respectively.

Where control of a subsidiary is lost, the gain or loss is recognised in the profit and loss account.

Where control of a subsidiary is achieved in stages, the initial acquisition that gave the group control is accounted for as a business combination. Thereafter where the group increases its controlling interest in the subsidiary the transaction is treated as a transaction between equity holders. Any difference between the fair value of the consideration paid and the carrying amount of the non-controlling interest acquired is recognised directly in equity. No changes are made to the carrying value of assets, liabilities or provisions for contingent liabilities.

OCEAN PARTNERS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies (Continued)

1.2 Basis of consolidation (Continued)

All intra-group transactions, balances, income and expenses are eliminated on consolidation. Adjustments are made to eliminate the profit or loss arising on transactions with associates to the extent of the group's interest in the entity.

1.3 Turnover

Turnover is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of any discounts and rebates allowed by the group and value added taxes.

The group recognises revenue when:-

- the significant risks and rewards of ownership have been transferred to the buyer;
- the group retains no continuing involvement or control over the goods;
- the amount of revenue can be measured reliably;
- it is probable that future economic benefits will flow to the group; and
- when the specific criteria relating to each of the group's sales channels have been met, as described below.

Sale of goods

Sales of concentrates are recognised when the group has transferred to the customer significant risks and rewards of ownership of the concentrates. In most instances this is recognised once the product is despatched to the destination specified by the customer and the bill of lading has been released.

For certain concentrates, the sales price is determined on a provisional basis at the date of the sale, as the final selling price is subject to movements in market prices up to the date of the final pricing, normally ranging from 30 to 90 days after initial delivery. Sales prices on provisionally priced sales are recognised based on the estimated fair value of the total consideration receivable. Where provisional weights and assays have been used, an appropriate retention is made until such amounts are finally determined and agreed.

Forward matched commitments that are estimated to produce a loss are provided for in full at the balance sheet date.

Sale of services

The group from time to time provides services on a consultancy basis. Turnover is recognised in the accounting period in which the services are rendered when the outcome of the contract can be estimated readily.

Interest income

Interest income is recognised using the effective interest rate method when the right to receive interest has been established and it is probable that the economic benefits will flow to the group.

1.4 Intangible fixed assets other than goodwill

Computer software is recognised at cost, and subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised so as to write off the cost of the assets less their residual values over their useful lives of 3-5 years, starting from the date the asset is in full working condition and location for use. Where software is developed internally, it is only capitalised when a future economic benefit to the Group is likely to arise from its use.

OCEAN PARTNERS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies (Continued)

1.5 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price and amounts directly attributable in bringing the asset to its working conditions for its intended use.

Tangible fixed assets are written off over their estimated useful lives on a straight line basis. Expected useful lives are as follows:-

Computer equipment	-	3-5 years
Fixtures, fittings & equipment	-	3-5 years
Mineral properties, building, land & leasehold additions	-	5-15 years
Motor vehicles	-	3 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset and is recognised in the profit and loss account, in the year of disposal.

1.6 Fixed asset investments

In the parent company's individual balance sheet, interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

Entities in which the company has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities. These are accounted for under the equity method.

Entities in which the company has a long term interest and has significant control or influence under a contractual arrangement are classified as associate entities. These are accounted for under the equity method.

Other fixed asset investments represent loans with repayment terms that result in their classification under section 12 of FRS102. These investments are initially measured at cost and subsequently measured at cost less any accumulated impairment losses, as their fair value cannot be measured reliably.

1.7 Business combinations and goodwill

Business combinations are accounted for by applying the purchase method.

The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination. Where control is achieved in stages the cost is the consideration at the date of each transaction.

Contingent consideration is initially recognised at estimated amount where the consideration is probable and can be measured reliably. Where (i) the contingent consideration is not considered probable or cannot be reliably measured but subsequently becomes probable and measureable or (ii) contingent consideration previously measured is adjusted, the amounts are recognised as an adjustment to the cost of the business combination.

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill. Where the fair value of contingent liabilities cannot be reliably measured they are disclosed on the same basis as other contingent liabilities.

OCEAN PARTNERS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies (Continued)

1.7 Business combinations and goodwill (Continued)

Goodwill recognised represents the excess of the fair value and directly attributable purchase consideration over the fair values to the group's interest in the identifiable net assets, liabilities and contingent liabilities acquired.

On acquisition, goodwill is allocated to cash-generating units that are expected to benefit from the combination. Goodwill is amortised over its expected useful life. Where the group is unable to make a reliable estimate of useful life, goodwill is amortised over a period not exceeding 5 years. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the income statement. Reversals of impairment are recognised when the reasons for the impairment no longer apply.

1.8 Impairment of fixed assets

At each reporting end date, the parent company and the group review the carrying amounts of their tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.9 Stocks

Stocks are stated at fair value less costs to sell through profit or loss. Stocks are recognised as an expense in the period in which the related revenue is recognised. Fair value is calculated using published prices of the London Metal Exchange and London Bullion Market Association. Unrealised gains and losses from changes in fair value are reported in cost of goods sold through profit or loss. Financing and storage costs are expensed as incurred.

1.10 Financial instruments

The group has chosen to adopt the provisions of Sections 11 and 12 of FRS 102 in respect of financial instruments.

Basic financial assets

Basic financial assets, including trade and other receivables, cash and bank balances and group company loans, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

OCEAN PARTNERS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies (Continued)

1.10 Financial instruments (continued)

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates, or joint ventures, are initially measured at fair value, which is normally the transaction price.

Such assets are subsequently carried at fair value and the changes in fair value are recognised in the profit or loss, except those investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably, which are measured at cost less impairment.

Impairment of financial assets

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the profit or loss.

Derecognition of financial assets

Financial assets are derecognised when:

- the contractual rights to the cash flows from the asset expire or are settled, or
- substantially all the risks and rewards of the ownership of the asset are transferred to another party, or
- control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Basic financial liabilities

Basic financial liabilities, including trade and other payables, bank loans and loans from fellow group companies are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including forward LME contracts and forward foreign exchange contracts, are not basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at each period end. Changes in the fair value of derivatives are recognised in the profit or loss, in finance costs or finance income as appropriate.

OCEAN PARTNERS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies (Continued)

1.10 Financial instruments (Continued)

The group does not currently apply hedge accounting for metal price and foreign exchange derivatives.

Derecognition of financial liabilities

Financial liabilities are derecognised when the liability is extinguished; that is when the contractual obligation is discharged, cancelled or has expired.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derivative instruments utilised by the group are forward and future metal contracts for copper, zinc, lead, gold and silver as well as forward and future foreign currency contracts. Such instruments are used for hedging purposes to alter the risk profile of the group's underlying exposure in line with the group's risk management policies. The group does not hold or issue derivative financial instruments for speculative purposes.

1.11 Equity instruments

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends and other distributions to the group's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the shareholders. These amounts are recognised in the statement of changes in equity.

1.12 Taxation

Taxation expense for the year comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In these cases tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

Current tax

Current tax is the amount of corporation tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the year end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in the tax assessments during periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

OCEAN PARTNERS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies (Continued)

1.13 Employee benefits

The group provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans.

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period during which the service is received.

Other benefits include long service benefits payable to certain individuals on retirement from their employment. The cost of this benefit is recognised over the period of service of the employee, discounted to net present value, and funded through cash reserves.

1.14 Retirement benefits

The group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. Once the contributions have been paid, the group has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals on the balance sheet. The assets of the plan are held separately from the group in an independently administered fund.

1.15 Foreign exchange

The financial statements are prepared in US dollars which is the functional currency of the group. Monetary amounts in these financial statements are rounded to the nearest US\$'000.

Foreign currency transactions are translated into the functional currency using the spot exchange rate at the date of the transaction.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction, and non-monetary items measured at fair value are translated using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions, and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the profit and loss account.

1.16 Related party transactions

The group discloses transactions with related parties which are not wholly owned within the same group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the group financial statements.

1.17 Operating leases

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

OCEAN PARTNERS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies (Continued)

2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The group makes estimates and assumptions 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 carrying amounts of assets and liabilities within the next financial year are addressed below.

Stock

Included in stock are metal concentrates which have been provisionally invoiced by the supplier due to uncertainties surrounding the final pricing and assays of the materials. Pricing is normally based on the published London Metal Exchange prices ranging from 30 to 90 days after the initial delivery. Assays and weights are often estimated by the supplier and confirmed within 90 days of delivery by official assayers. As a result it is necessary to consider the recoverability of the value of stock and the associated provision required. When calculating the fair value of the stock, management considers the nature of the stock, as well as the assumptions around the final quality of the assays, and from knowledge and experience of the industry, allows a suitable provision against the full price of the material included.

Open sales contracts

For certain sales contracts, where the sales price is determined on a provisional basis, the final selling price is subject to movements in market prices up to the date of the final pricing. It is also subject to changes in the final assay results of the materials sold. At each reporting period end any unfinalised contracts are reviewed and an appropriate retention is made until such amounts are finally determined and agreed.

Impairment of debtors

The group makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of the debtor and historical experience. See notes 16 and 17 for the net carrying amount of the debtors and associated impairment provision.

3 Turnover

In the opinion of the directors it would be seriously prejudicial to the business of the group to disclose the geographical spread of turnover.

	2018 US\$'000	2017 US\$'000
Turnover		
Sale of goods	2,152,538	2,200,305
Commissions and other income receivable	4,683	754
	<u>2,157,221</u>	<u>2,201,059</u>

OCEAN PARTNERS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2018

4 Operating profit

Operating profit for the year is stated after charging/(crediting):

	2018 US\$'000	2017 US\$'000
Depreciation of tangible fixed assets	296	320
Amortisation of intangible assets	146	14
Impairment of investments	360	1,040
Foreign exchange loss/(profit)	1,132	(1,166)
Operating lease charges	805	717
	<u> </u>	<u> </u>

Auditor's remuneration

Fees payable to company's auditor and its associates for the audit of the parent company and the group's consolidated financial statements

67	82
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Fees payable to the company's auditor and its associates for other services:

The audit of the company's subsidiaries	144	163
Tax compliance services	39	54

144	163
39	54

Total amount payable to the company's auditor and its associates

250	299
-----	-----

5 Employees

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

	2018	2017
Trading	30	26
Administrative	44	42
Financial	41	41
	<u>115</u>	<u>109</u>

Their aggregate remuneration comprised:

	2018 US\$'000	2017 US\$'000
Wages and salaries	10,659	14,858
Social security costs	919	1,072
Pension costs	671	628
Termination costs	392	-
	<u>12,641</u>	<u>16,558</u>

OCEAN PARTNERS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2018

6 Directors' remuneration

	2018 US\$'000	2017 US\$'000
Remuneration for qualifying services	2,645	4,997
Group pension contributions	160	144
	<u>2,805</u>	<u>5,141</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 7 (2017: 6)

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2018 US\$'000	2017 US\$'000
Remuneration for qualifying services	427	1,018
Group pension contributions	28	34
	<u>455</u>	<u>1,052</u>

7 Key management compensation

Key management includes the directors and members of senior management. The compensation paid or payable to key management for employee services is shown below:

	2018 US\$'000	2017 US\$'000
Salaries and other short-term benefits	4,629	8,667
Post-employment benefits	288	275
	<u>4,917</u>	<u>8,942</u>

8 Interest receivable and similar income

	2018 US\$'000	2017 US\$'000
Other interest income	8,551	5,943

OCEAN PARTNERS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2018

9 Interest payable and similar charges

	2018 US\$'000	2017 US\$'000
Interest on short term bank loans	22,746	18,476
Interest on other loans	2,929	567
	<u>25,675</u>	<u>19,043</u>

10 Taxation

	2018 US\$'000	2017 US\$'000
Current tax:		
UK corporation tax on profits for the current period	740	2,825
Foreign tax	198	3,143
Total current tax	<u>938</u>	<u>5,968</u>
Deferred tax		
Origination and reversal of timing differences (note 21)	(560)	(717)
Total tax charge	<u>378</u>	<u>5,251</u>

The charge for the year can be reconciled to the profit for the year, as follows:

	2018 US\$'000	2017 US\$'000
Current tax:		
Profit on ordinary activities before tax	2,031	15,436
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	386	2,971
Tax effect of expenses that are not deductible in determining taxable profit	241	278
Permanent capital allowances in excess of depreciation	6	(38)
Exchange differences arising on currency translation	-	368
Other timing differences	(34)	(350)
Higher tax rates on overseas (losses)/earnings	(183)	1,682
(Restricted)/unutilised tax losses carried forward	(38)	340
Total tax expense	<u>378</u>	<u>5,251</u>

OCEAN PARTNERS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2018

11 Dividends

	2018 US\$'000	2017 US\$'000
Dividend paid	5,097	4,893

12 Intangible assets

Group

	Computer Software US\$'000	Goodwill US\$'000	Total US\$'000
Cost			
At 1 January 2018	1,473	2,437	3,910
Additions	414	-	414
At 31 December 2018	1,887	2,437	4,324
Amortisation			
At 1 January 2018	370	2,437	2,807
Charge for the year	146	-	146
At 31 December 2018	516	2,437	2,953
Net book value			
At 31 December 2018	1,371	-	1,371
At 31 December 2017	1,103	-	1,103

OCEAN PARTNERS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2018

13 Tangible fixed assets

Group

	Fixtures, fittings & equipment	Mineral properties, buildings, land & leasehold additions	Computer equipment	Motor vehicles	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Cost					
At 1 January 2018	946	538	1,186	116	2,786
Additions	62	48	79	63	252
Disposals	(4)	-	-	(45)	(49)
At 31 December 2018	1,004	586	1,265	134	2,989
Depreciation					
At 1 January 2018	683	224	906	114	1,927
Depreciation charged in the year	88	75	126	7	296
Eliminated in respect of disposals	(1)	-	-	(45)	(46)
At 31 December 2018	770	299	1,032	76	2,177
Net book value					
At 31 December 2018	234	287	233	58	812
At 31 December 2017	263	314	280	2	859

OCEAN PARTNERS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2018

14 Investments

Group

	Listed and unlisted investments US\$'000
Cost	
At 1 January 2018	2,096
Additions	8,673
Disposals	(11)
At 31 December 2018	10,758
Provisions for diminution in value	
At 1 January 2018	1,130
Provided during the year	360
At 31 December 2018	1,490
Net Book Value	
At 31 December 2018	9,268
At 31 December 2017	966

Included in the above are listed investments with a market value of US\$587,000 (2017: US\$939,000)

Included in investment above is a joint venture with a carrying value of \$nil (2017: \$nil). The joint venture made a loss in the year of US\$1,431,000 (2017: \$1,156,000) which has not been accounted for in the financial statements as the value of the joint venture is already fully provided for. The fair value of the joint venture is considered by the directors to be the same as the carrying value.

OCEAN PARTNERS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2018

14 Investments (Continued)

Company

	2018 US\$'000	2017 US\$'000
Investment in subsidiaries	13,159	14,659
Investment in associates	1,000	-
	<u>14,159</u>	<u>14,659</u>
		Shares in group undertakings and participating interests US\$'000
Cost		
At 1 January 2018		14,659
Additions		1,000
At 31 December 2018		<u>15,659</u>
Impairment		
At 1 January 2018		-
Impairment losses		1,500
At 31 December 2018		<u>1,500</u>
Carrying amount		
At 31 December 2018		<u>14,159</u>
At 31 December 2017		<u>14,659</u>

OCEAN PARTNERS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2018

14 Investments (Continued)

Name of company	Registered office key	Holding	Proportion of voting rights and shares held	Nature of Business
<u>Subsidiaries</u>				
Ocean Partners UK Ltd.	1	Ordinary Shares	100	Trading
Ocean Partners UK Trading Ltd.	1	Ordinary Shares	100	Trading
Ocean Partners USA, Inc.	6	Ordinary Shares	100	Trading
Ocean Partners Canada Ltd.	7	Ordinary Shares	100	Trading
OPH Cyprus Ltd.	8	Ordinary Shares	100	Trading
Ocean Partners Peru S. A. C. *	3	Ordinary Shares	100	Trading
Trading Partners Peru S. A. C. *	3	Ordinary Shares	100	Trading
Ocean Partners Australia Pty Ltd.	9	Ordinary Shares	100	Trading
BHS Logistics B. V. *	10	Ordinary Shares	100	Trading
Ocean Partners Mexico, S. A. de C.V.	4	Ordinary Shares	100	Dormant
MK Metal Trading Holding II, S. A. P. I. de C. V.	1	Ordinary Shares	100	Holding company
MK Metal Trading Mexico, S. A. de C.V. *	4	Ordinary Shares	100	Trading
MK Metal Resources, S. A. C. *	3	Ordinary Shares	100	Payroll services
MK Metal Trading GmbH *	5	Ordinary Shares	100	Trading
MK Metal Trading Peru, S. A. C. *	3	Ordinary Shares	100	Trading
APN Tech, S. A. C. *	3	Ordinary Shares	100	Financing
MK Metal Basis, S. A. C *	3	Ordinary Shares	100	Trading
Ocean Partners Chile SpA	2	Ordinary Shares	100	Trading
Chemin Trading UK Limited *	1	Ordinary Shares	100	Trading
Chemin Trading Pty Limited *	12	Ordinary Shares	100	Trading
<u>Joint Venture</u>				
Commodities Terminal Verbrugge BV (Netherlands)	11	Ordinary Shares	50	Trading

* Investment held indirectly

Registered Office addresses:

- 1 The Pearce Building, West Street, Maidenhead, SL6 1RL, United Kingdom
- 2 Avenida Américo Vespucio Sur 80 P 11, Santiago, Chile
- 3 Avenida el Derby No. 254 oficina 2402, Santiago de Surco. Lima 33 –Perú
- 4 Ejercito Nacional Mexicano 769, Col, Granada, Mexico, 11560
- 5 Riedstrasse 7 6330 Cham, Zug. P.O. Box 961, Switzerland
- 6 43 Danbury Road, Wilton, CT 06897, USA
- 7 70 Fairside Avenue, Toronto, Ontario, M4C 3H2
- 8 36 Galaxias Building, 5th Floor, Flat 502, 1061 Nicosia, Cyprus
- 9 7 Lerwick Avenue, Hazelwood Park, SA 5066, Australia
- 10 Atrium Building, 8th Floor, Strawinskylaan 3127, 8e verdieping, 1077ZX Amsterdam, Netherlands
- 11 Engelandweg 12, Ritthem, 4389PC, Netherlands
- 12 1919 Loerie Lane, Eye of Africa, Elkenhof, Gauteng, 1872

OCEAN PARTNERS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2018

15 Stock

Group

	2018 US\$'000	2017 US\$'000
Finished goods and goods for resale	527,635	523,324

16 Debtors: amounts falling due within one year

	Group		Company	
	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
Trade debtors	134,843	236,477	-	-
Amount owed by group undertakings	-	-	18,062	15,436
Amount due from joint venture	1,139	707	-	-
Derivative financial instruments	7,632	-	-	-
Corporation tax	4,391	4,861	-	-
Supplier advances	13,146	43,246	-	-
Other debtors	27,634	18,128	199	172
Prepayments and accrued income	21,206	61,149	15	168
Deferred tax asset (note 21)	5,027	4,467	-	-
	<u>215,018</u>	<u>369,035</u>	<u>18,276</u>	<u>15,776</u>

Trade debtors disclosed above are measured at amortised cost.

Amounts owed by group undertakings are unsecured and have no fixed date of repayment. The balances attract interest at 2% above LIBOR.

17 Debtors: amounts falling due after more than one year

	Group		Company	
	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
Supplier advances	5,543	3,097	-	-
Shareholder loans	19,384	20,399	7,356	8,232
Other loans and debtors	30,978	32,452	1,421	1,634
Other debtors	-	960	-	-
	<u>55,905</u>	<u>56,908</u>	<u>8,777</u>	<u>9,866</u>

A provision of US\$6,175,000 (2017: US\$6,175,000) has been recognised against the balances due from the Resource Investment Co. Limited Group, which has been included in other debtors above. See note 28 for further details.

OCEAN PARTNERS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2018

18 Loans

	Group		Company	
	2018	2017	2018	2017
	US\$'000	US\$'000	US\$'000	US\$'000
Bank loans payable within one year	598,835	664,050	2,333	2,333

At the year end the group had short term borrowings amounting to US\$598,835,000 (2017: US\$664,050,000). The group uses short-term borrowings to finance specific material purchase contracts. The loans are generally secured on the value of the future delivery obligations or underlying material already purchased and bear commercial rates of interest individually agreed with each finance provider. The loans are generally repayable on the subsequent sale of the materials. The group has a total finance facility of US\$825,000,000.

19 Creditors: amounts falling due within one year

	Group		Company	
	2018	2017	2018	2017
	US\$'000	US\$'000	US\$'000	US\$'000
Loans (note 18)	598,835	664,050	2,333	2,333
Trade creditors	132,085	176,449	32	-
Amounts owed to group undertakings	-	-	11,734	10,319
Derivative financial instruments	-	41,247	-	-
Corporation tax	673	4,099	-	223
Other creditors	7,068	7,962	4,680	3,120
Accruals and deferred income	15,651	16,628	235	362
	754,312	910,435	19,014	16,357

20 Creditors: amounts falling due after more than one year

	Group		Company	
	2018	2017	2018	2017
	US\$'000	US\$'000	US\$'000	US\$'000
Other creditors	1,440	4,898	1,440	4,898

Included in other creditors are amounts due to certain shareholders which bear interest at the rate of 3% per annum and are repayable in annual instalments, with the final repayment due on 30 June 2021.

OCEAN PARTNERS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2018

21 Deferred taxation

The deferred tax asset (included in debtors, note 16) is made up as follows:

	Group 2018 US\$'000	Company 2018 US\$'000
Profit and loss account (note 10)	560	-
	<u>560</u>	<u>-</u>

	Group		Company	
	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
Corporate interest restriction	-	225	-	-
Other timing differences	2,130	1,397	-	-
Tax losses available	2,897	2,845	-	-
	<u>5,027</u>	<u>4,467</u>	<u>-</u>	<u>-</u>

22 Retirement benefit schemes

Defined contribution schemes

The group operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

The charge to profit and loss in respect of defined contribution schemes was US\$671,000 (2017: US\$628,000).

23 Share capital

Group and company

	2018 US\$'000	2017 US\$'000
Allotted and fully paid		
822 (2017: 822) Ordinary shares of US\$1 each	1	1
	<u>1</u>	<u>1</u>

OCEAN PARTNERS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2018

24 Operating leasing commitments

At the year end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2018 US\$'000	2017 US\$'000
Within one year	658	736
Between two and five years	1,016	1,813
In more than 5 years	-	-
	<u>1,674</u>	<u>2,549</u>

25 Financial commitments, guarantees and contingent liabilities

The company is a guarantor of borrowing facilities utilised by other members of the Ocean Partners group of companies. The group has a commitment to fund its joint venture that has been disclosed in note 14.

26 Financial instruments

Group

The group has the following financial instruments:

	Note	2018 US\$'000	2017 US\$'000
Financial assets at fair value through profit or loss			
Listed investments	14	587	939
LME futures contracts	16	7,632	-
Trade debtors	16	134,843	236,477
		<u>143,062</u>	<u>237,416</u>
Financial assets at cost less impairment			
Unlisted investments	14	8,681	27
		<u>8,681</u>	<u>27</u>
Financial assets that are debt instruments measured at amortised cost			
Other debtors (inc. JV debtors) & supplier advances	16	41,919	62,081
Other debtors – due after more than one year	17	55,905	56,908
Prepayments and accrued income	16	21,206	61,149
		<u>119,030</u>	<u>180,138</u>

OCEAN PARTNERS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2018

26 Financial instruments (Continued)

	Note	2018 US\$'000	2017 US\$'000
Financial liabilities measured at amortised cost			
Bank loans	19	598,835	664,050
Other creditors	19	7,068	7,962
Other creditors – due after more than one year	20	1,440	4,898
Accruals	19	15,651	16,628
		<u>622,994</u>	<u>693,538</u>

	Note	2018 US\$'000	2017 US\$'000
Financial liabilities at fair value through profit or loss			
Trade creditors	19	132,085	176,449
LME futures	19	-	41,247
		<u>132,085</u>	<u>217,696</u>

Derivative financial instruments

The group enters into LME futures contracts to mitigate the commodity price risk of the physical concentrates traded. The group only trades in futures as a hedging mechanism for physical concentrate and never as a speculative trading platform.

The fair value of the futures contracts is calculated as the difference between the strike price of the contract and the spot price of the metal based on the LME price, an active market, at the year end.

Company

The company has the following financial instruments

	Note	2018 US\$'000	2017 US\$'000
Financial assets that are debt instruments measured at amortised cost			
Amounts owed by group undertakings	16	18,062	15,436
Other debtors	16	195	135
Other debtors – due after more than one year	17	8,777	9,866
		<u>27,034</u>	<u>25,437</u>
Financial assets at cost less impairment			
Unlisted investments	14	14,159	14,659

OCEAN PARTNERS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2018

26 Financial instruments (Continued)

	Note	2018 US\$'000	2017 US\$'000
Financial liabilities measured at amortised cost			
Bank loans	19	2,333	2,333
Trade creditors	19	32	-
Amounts owed to group undertakings	19	11,734	10,319
Other creditors	19	4,680	3,120
Long term loans	20	1,440	4,898
Accruals	19	235	362
		<u>20,454</u>	<u>21,032</u>

27 Control

There is no overall controlling party.

28 Related party relationships and transactions

Group

At the year-end, 3 directors (2017: 3) of the company owed Ocean Partners Holdings Limited US\$9,545,000 (2017: US\$8,423,000). The loans bear interest at 3% per annum and are due for repayment by 31 December 2024 and 31 December 2027. The maximum amount outstanding during the year was US\$9,545,000.

At the year-end 4 directors, who are also shareholders, were owed in aggregate US\$6,120,000 (2017: US\$8,018,000). The loans bear interest at the rate of 3% per annum and are repayable in four annual instalments on 30 June of each year, with the final repayment due on 30 June 2021.

During the year Ocean Partners Holdings Limited paid a dividend totalling US\$4,055,000 (2017: US\$4,251,000) to directors of the company, companies controlled by directors of the company and a company in which a director has significant interest.

During the year the group received interest of US\$1,248,000 (2017: US\$862,000) from companies in the Resource Investment Co. Limited group ('RICL'), a group under common control. The group also made purchases from RICL amounting to US\$nil (2017: US\$74,000). At 31 December 2018, RICL owed the group US\$35,274,000 (2017: US\$32,420,000). No provision (2017: US\$nil) has been recognised directly against these loans in the year, with cumulative provisions of US\$6,175,000 (2017: US\$6,175,000) recognised against these loans at the year end.

At the year end, the group's only joint venture owed the group US\$1,384,000 (2017: \$709,000).

Company

Other than the transactions disclosed above, the company's other related party transactions were with wholly owned subsidiaries and consequently have not been disclosed.

OCEAN PARTNERS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2018

29 Notes to cash flow statement

(a) Cash inflow/(outflow) from operating activities

	2018 US\$'000	2017 US\$'000
Profit for the financial year:	1,653	10,185
Adjustments for:		
Tax on profit on ordinary activities	378	5,251
Interest payable	25,675	19,043
Interest receivable	(8,551)	(5,943)
Operating profit	19,155	28,536
Depreciation of tangible fixed assets	296	320
Amortisation of intangible fixed assets	146	14
Loss on disposal	3	-
Impairments of fixed asset investments	360	1,040
Working capital movements:		
(Increase) in stock	(4,311)	(179,869)
Decrease/(increase) in debtors	156,670	(168,184)
(Decrease)/increase in creditors	(90,940)	83,459
Cash inflow/(outflow) from operating activities	81,379	(234,684)

(b) Reconciliation of net debt

	2018 US\$'000	2017 US\$'000
Cash at bank and in hand	35,615	56,454
Debts falling due within one year	(598,835)	(664,050)
Net debt	(563,220)	(607,596)