

Company Registration No. 05171663 (England and Wales)

OCEAN PARTNERS HOLDINGS LIMITED
CONSOLIDATED ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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OCEAN PARTNERS HOLDINGS LIMITED

COMPANY INFORMATION

Directors

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

Secretary

John Foley

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 2019

The directors present their strategic report for the year ended 31 December 2019.

Fair review of the business

The Ocean Partners Group of companies entered its sixteenth 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 ore as a new product and this continued into 2019. In 2019, the group also started trading some other low value bulk commodities such as chrome, iron ore and coal. The group also increased its focus on the trading and blending of precious metal concentrates.

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

The group's 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. The tough market conditions from last year continued into the first half of this year but the second half of the year saw recovery and meant the group returned an improved profitability compared to the previous year.

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") and London Bullion Market Association ("LBMA") 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 board, and by the use of metal futures contracts such as those offered by the LME and LBMA, 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 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 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 most of 2019 have continued into the new financial year and this has been exacerbated by the Covid-19 pandemic. As a result of this, profitability continues to be challenged and it is unlikely that we will see a return to the pre-2018 profit levels, which remains the group's benchmark, for the foreseeable future. Nonetheless the group continues to have a sound financial position and a diversified business base and is well positioned to operate the business positively even in these unprecedented times and its effect on markets that are already inherently volatile and challenging.

OCEAN PARTNERS HOLDINGS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Development and performance

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

	31 December 2019 US\$'000	31 December 2018 US\$'000	31 December 2017 US\$'000
Gross profit (Page 9)	46,926	42,872	53,597
Profit and total comprehensive income for the year (Page 9)	4,313	1,653	10,185
Staff costs (Page 21)	12,777	12,641	16,558
Average number of staff (Page 21)	112	115	109

The copper, zinc and lead prices all traded at lower average prices than the prior year, whereas gold and silver were higher. There was an increase in both the group's volumes and turnover due to changes in product mix with more sales of higher value precious metal bearing goods as compared to 2018. The gross profit percentage from continuing operations marginally reduced to 1.91% (2018: 1.99%).

Section 172(1) Statement

During the preparation of these financial statements the directors have had regard to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006 when performing their duties under section 172.

Under the Act a director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- a) the likely consequences of any decision in the long term,
- b) the interests of the company's employees,
- c) the need to foster the company's business relationships with suppliers, customers and others,
- d) the impact of the company's operations on the community and the environment,
- e) the desirability of the company maintaining a reputation for high standards of business conduct, and
- f) the need to act fairly, as between members of the company.

Group Board Objective

The board's primary objective remains the long-term, sustainable success of the group including an ongoing succession strategy.

Most of the board have executive roles within the organisation, primarily on the trading side, which ensures it remains highly engaged with the day to day business, senior management and the trading team. Regular reviews of the group's performance ensure that the group continues to move forward whilst avoiding the type of risks that can realise short term gains but threaten the very existence of the group. The board also continue to fulfil their other core duties to oversee the group's culture, governance, financial controls, risk and change management.

The group has an extensive code of conduct which establishes the fair manner in which the board expect the group's staff to engage with others both within the organisation and outside it.

The group's core values are:

- a) Honesty
- b) Character and Integrity
- c) Respect for others

Since the commencement of business, many communities have benefitted from the policy to donate a percentage of the group's profits to charitable causes each year. The staff nominate the beneficiaries ensuring a diversified and global reach.

OCEAN PARTNERS HOLDINGS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

The board support the drive for sustainable business to reduce the impact on the environment and worked closely with one of its main banks in developing a sustainability policy that can be viewed on the group's website. The board's vision on sustainability is "to conduct our business responsibly, to the benefit of all stakeholders and with reference to relevant Sustainable Development Goals as set by the United Nations".

Stakeholders

Our people

We have between 100 - 125 colleagues spread worldwide and aim to be a group where people are energised and take the lead in all areas of the business.

Engagement with our colleagues throughout the business is vital in ensuring a more productive, efficient and low risk environment.

Forms of engagement

We have senior managers heading up each of the five Ocean Partners global teams and they regularly engage with team members throughout the organisation and report back to the board where necessary. The teams are as follows:

- Trading
- Research
- Traffic and Administration
- Risk (inc. Hedging and IT)
- Finance (inc. Treasury and Accounting)

Outcomes

Incentive schemes are centrally controlled by the board and, with input from senior managers, it ensures fairness throughout the group.

The group enjoys a high level of staff retention.

Our Counterparties

These include mines, producers, refiners, smelters, warehouses and shipping brokers. By dealing in a transparent and responsive way our counterparties trust us to be fair in our dealings leading to long term relationships which are mutually beneficial.

Forms of Engagement

Strong, long term relationships are sought with our counterparties to build up trust not only between the commercial teams but also the support staff.

Outcomes

The group enjoys many excellent long term relationships with counterparties with some going back to the birth of the group more than 15 years ago. Issues are resolved swiftly by amicable discussions and rarely become litigious.

The flexible approach and regular interaction means counterparties can be helped out of the most challenging of situations.

Our Banks

There are currently 15 banks giving finance to the group and all have a strong commodity pedigree with most based in Europe.

By dealing in a transparent and responsible way our banks trust us to return value to them at a relatively low risk.

Forms of Engagement

Strong, long term, face to face relationships are pursued with our banks from CEO to junior level.

Outcomes

The group has a good reputation amongst commodity banks and is able to finance deals that other companies may not be able to, bringing additional rewards to the banks and the group.

Brexit

The commodities industry is US Dollar based and the group's global spread, EU presence and low UK volume means the risk to the business as a result of Brexit remains low.

OCEAN PARTNERS HOLDINGS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Covid-19

The group has invested significantly in IT infrastructure in recent times and already has a number of home workers. The transition to all our staff working from home was therefore seamless and the business has continued to operate without any material adverse effect on operations.

Whilst the group's underlying operations and core financial performance have so far remained largely unaffected by the recent coronavirus outbreak which has spread globally, macro-economic conditions have been effected throughout the world and if the outbreak continues for a long time and conditions worsen, the group may experience disruption in operations as well as a decline in sales activities. As a result, the outbreak could adversely affect the group's business, financial condition and results of operations on a short term basis.

On behalf of the board



Brent Omland
Director
18 May 2020

OCEAN PARTNERS HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their annual report with the audited financial statements of the company and the group for the year ended 31 December 2019.

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)
Stephen Ball
Sinisa Bogicevic
Devin Burnett
Walter Cimowsky
Alan Paterson
Siva Pillay
Ad Van Halder
Brent Omland

Results

The results for the year are set out on page 9.

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.

Other matters

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) Regulations 2008, Sch. 7 to be contained in the directors' report.

On behalf of the board



Brent Omland
Director
18 May 2020

OCEAN PARTNERS HOLDINGS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019 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 2019 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.

Citroen Wells

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

Chartered Accountants
Statutory Auditor

18.05.20.....

Devonshire House
1 Devonshire Street
London
W1W 5DR

OCEAN PARTNERS HOLDINGS LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 US\$'000	2018 US\$'000
Turnover	3	2,454,062	2,157,221
Cost of Sales		(2,407,136)	(2,114,349)
Gross profit		<u>46,926</u>	<u>42,872</u>
Administrative expenses		(24,381)	(25,469)
Other operating gains		37	1,752
Operating profit	4	<u>22,582</u>	<u>19,155</u>
Interest receivable and similar income	8	12,406	8,551
Interest payable and similar charges	9	(29,179)	(25,675)
Profit before taxation		<u>5,809</u>	<u>2,031</u>
Taxation	10	(1,496)	(378)
Profit and total comprehensive income for the financial year		<u><u>4,313</u></u>	<u><u>1,653</u></u>

The profit and loss account for 2019 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. During the year under review, the company made a profit after tax of US\$10,000 (2018: US\$4,540,000).

OCEAN PARTNERS HOLDINGS LIMITED

BALANCE SHEETS

AS AT 31 DECEMBER 2019

	Note	2019 US\$'000	Group 2018 US\$'000	2019 US\$'000	Company 2018 US\$'000
Fixed assets					
Intangible assets	12	1,580	1,371	-	-
Tangible assets	13	993	812	-	-
Investments	14	6,009	9,268	14,117	14,159
		<u>8,582</u>	<u>11,451</u>	<u>14,117</u>	<u>14,159</u>
Current assets					
Stock	15	638,220	527,635	-	-
Debtors: amounts falling due within one year	16	262,776	215,018	16,665	18,276
Debtors: amounts falling due after more than one year	17	64,125	55,905	8,470	8,777
Cash at bank and in hand		37,460	35,615	311	937
		<u>1,002,581</u>	<u>834,173</u>	<u>25,446</u>	<u>27,990</u>
Creditors: amounts falling due within one year	19	(910,960)	(754,312)	(11,840)	(19,014)
Net current assets		<u>91,621</u>	<u>79,861</u>	<u>13,606</u>	<u>8,976</u>
Total assets less current liabilities		<u>100,203</u>	<u>91,312</u>	<u>27,723</u>	<u>23,135</u>
Creditors: amounts falling due after more than one year	20	(6,018)	(1,440)	(6,018)	(1,440)
Net assets		<u>94,185</u>	<u>89,872</u>	<u>21,705</u>	<u>21,695</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		72,740	68,427	260	250
Total equity		<u>94,185</u>	<u>89,872</u>	<u>21,705</u>	<u>21,695</u>

The financial statements were approved by the board of directors and authorised for issue on 18 May 2020 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 2019

Group	Share capital US\$'000	Share premium account US\$'000	Profit and loss account US\$'000	Total US\$'000
Balance at 1 January 2018	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
Profit and total comprehensive income for the year	-	-	4,313	4,313
Balance at 31 December 2019	1	21,444	72,740	94,185

Company	Share capital US\$'000	Share premium account US\$'000	Profit and loss account US\$'000	Total US\$'000
Balance at 1 January 2018	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
Profit and total comprehensive income for the year	-	-	10	10
Balance at 31 December 2019	1	21,444	260	21,705

OCEAN PARTNERS HOLDINGS LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	US\$'000	2019 US\$'000	2018 US\$'000
Cash (outflow)/inflow from operating activities	29	(85,135)		81,379
Tax paid		(1,290)		(3,883)
Net cash (outflow)/ inflow from operating activities			(86,425)	77,496
Cash flow from investing activities				
Interest received		12,406		8,551
Payments to acquire tangible assets		(782)		(252)
Payments to acquire intangible assets		(339)		(414)
Payments to acquire investments		(1,527)		(8,673)
Net cash inflow/(outflow) from investing activities			9,758	(788)
Cash flow from financing activities				
Interest paid		(29,179)		(25,675)
Loans notes repaid		(102)		(1,560)
Dividends paid		-		(5,097)
Increase/(decrease) in bank finance		107,793		(65,215)
Net cash inflow/(outflow) from financing activities			78,512	(97,547)
Net increase/(decrease) in cash and cash equivalents			1,845	(20,839)
Cash and cash equivalents at beginning of year			35,615	56,454
Cash and cash equivalents at the end of the year	29		37,460	35,615

OCEAN PARTNERS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

Company information

Ocean Partners Holdings Limited is the parent company of a group that acts 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 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 2019.

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 when 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 2019

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.

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 2019

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.

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 an 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 2019

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 Stock

Stock is stated at fair value less costs to sell through profit or loss. Stock is recognised as an expense in the period in which the related revenue is recognised. Fair value is calculated using published prices of the LME and LBMA. 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 2019

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 2019

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 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 members 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 2019

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. 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's 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 2019

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 LME and LBMA 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.

	2019 US\$'000	2018 US\$'000
Turnover		
Sale of goods	2,448,179	2,152,538
Commissions and other income receivable	5,883	4,683
	<u>2,454,062</u>	<u>2,157,221</u>

OCEAN PARTNERS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

4 Operating profit

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

	2019 US\$'000	2018 US\$'000
Depreciation of tangible fixed assets	540	296
Amortisation of intangible assets	130	146
Impairment of investments	270	360
Foreign exchange (profit)/loss	(40)	1,132
Operating lease charges	532	805
	<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	78	67
Fees payable to the company's auditor and its associates for other services:		
The audit of the company's subsidiaries	140	144
Tax and other compliance services	57	39
	<u> </u>	<u> </u>
Total amount payable to the company's auditor and its associates	275	250
	<u> </u>	<u> </u>

5 Employees

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

	2019	2018
Trading	28	30
Administrative	44	44
Financial	40	41
	<u> </u>	<u> </u>
	112	115
	<u> </u>	<u> </u>

Their aggregate remuneration comprised:

	2019 US\$'000	2018 US\$'000
Wages and salaries	10,706	10,659
Social security costs	859	919
Pension costs (note 22)	642	671
Termination costs	-	392
	<u> </u>	<u> </u>
	12,207	12,641
	<u> </u>	<u> </u>

OCEAN PARTNERS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

6 Directors' remuneration

	2019 US\$'000	2018 US\$'000
Remuneration for qualifying services	3,512	2,645
Group pension contributions	170	160
	<u>3,682</u>	<u>2,805</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 7 (2018: 7)

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

	2019 US\$'000	2018 US\$'000
Remuneration for qualifying services	566	427
Group pension contributions	36	28
	<u>602</u>	<u>455</u>

7 Key management compensation

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

	2019 US\$'000	2018 US\$'000
Salaries and other short-term benefits	5,689	4,629
Post-employment benefits	349	288
	<u>6,038</u>	<u>4,917</u>

8 Interest receivable and similar income

	2019 US\$'000	2018 US\$'000
Other interest income	<u>12,406</u>	<u>8,551</u>

OCEAN PARTNERS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

9 Interest payable and similar charges

	2019 US\$'000	2018 US\$'000
Interest on short term bank loans	26,169	22,746
Interest on other loans	3,010	2,929
	<u>29,179</u>	<u>25,675</u>

10 Taxation

	2019 US\$'000	2018 US\$'000
Current tax:		
UK corporation tax on profits for the current period	720	740
Foreign tax	1,068	198
Total current tax	<u>1,788</u>	<u>938</u>
Deferred tax		
Origination and reversal of timing differences (note 21)	(292)	(560)
Total tax charge	<u>1,496</u>	<u>378</u>

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

	2019 US\$'000	2018 US\$'000
Current tax:		
Profit on ordinary activities before tax	<u>5,809</u>	<u>2,031</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19.00% (2018: 19%)	1,104	386
Tax effect of expenses that are not deductible in determining taxable profit	82	241
Permanent capital allowances in excess of depreciation	-	6
Other timing differences	117	(34)
Higher/(lower) tax rates on overseas earnings	143	(183)
Tax losses carried forward/(utilised)	50	(38)
Total tax expense	<u>1,496</u>	<u>378</u>

OCEAN PARTNERS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

11 Dividends

	2019 US\$'000	2018 US\$'000
Dividend paid	-	5,097

12 Intangible assets

Group

	Computer Software US\$'000	Goodwill US\$'000	Total US\$'000
Cost			
At 1 January 2019	1,887	2,437	4,324
Additions	339	-	339
At 31 December 2019	2,226	2,437	4,663
Amortisation			
At 1 January 2019	516	2,437	2,953
Charge for the year	130	-	130
At 31 December 2019	646	2,437	3,083
Net book value			
At 31 December 2019	1,580	-	1,580
At 31 December 2018	1,371	-	1,371

OCEAN PARTNERS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019	1,004	586	1,265	134	2,989
Additions	7	698	77	-	782
Disposals	(301)	(12)	(71)	(37)	(421)
At 31 December 2019	710	1,272	1,271	97	3,350
Depreciation					
At 1 January 2019	770	299	1,032	76	2,177
Depreciation charged in the year	54	359	120	7	540
Eliminated in respect of disposals	(301)	(9)	(45)	(5)	(360)
At 31 December 2019	523	649	1,107	78	2,357
Net book value					
At 31 December 2019	187	623	164	19	993
At 31 December 2018	234	287	233	58	812

OCEAN PARTNERS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

14 Investments

Group	Listed investments US\$'000	Unlisted investments US\$'000	Total investments US\$'000
Cost			
At 1 January 2019	1,171	9,305	10,476
Additions	1,452	75	1,527
Investment restructure	-	(4,516)	(4,516)
At 31 December 2019	2,623	4,864	7,487
Provisions for diminution in value			
At 1 January 2019	584	624	1,208
Provided during the year	276	(6)	270
At 31 December 2019	860	618	1,478
Net Book Value			
At 31 December 2019	1,763	4,246	6,009
At 31 December 2018	587	8,681	9,268

Included in unlisted investments above is a joint venture with a carrying value of \$nil (2018: \$nil). The joint venture made a loss in the year of US\$1,610,000 (2018: \$1,431,000) 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 2019

14 Investments (Continued)

Company

	2019 US\$'000	2018 US\$'000
Investment in subsidiaries	13,117	13,159
Investment in associates	1,000	1,000
	<u>14,117</u>	<u>14,159</u>
		Shares in group undertakings and participating interests US\$'000
Cost		
At 1 January 2019		15,659
Transfers within the group		(42)
At 31 December 2019		<u>15,617</u>
Impairment		
At 1 January 2019		1,500
Impairment losses		-
At 31 December 2019		<u>1,500</u>
Carrying amount		
At 31 December 2019		<u>14,117</u>
At 31 December 2018		<u>14,159</u>

OCEAN PARTNERS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

14 Investments (Continued)

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

* Investment held indirectly

Registered Office addresses:

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

OCEAN PARTNERS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

15 Stock

Group

	2019 US\$'000	2018 US\$'000
Finished goods and goods for resale	638,220	527,635

16 Debtors: amounts falling due within one year

	Group		Company	
	2019 US\$'000	2018 US\$'000	2019 US\$'000	2018 US\$'000
Trade debtors	120,699	134,843	-	-
Amount owed by group undertakings	-	-	16,405	18,062
Amount due from joint venture	2,047	1,139	-	-
Derivative financial instruments	-	7,632	-	-
Corporation tax	5,008	4,391	-	-
Supplier advances	47,626	13,146	-	-
Other debtors	26,405	27,634	260	199
Metal margins held by brokers	54,267	19,570	-	-
Prepayments and accrued income	1,405	1,636	-	15
Deferred tax asset (note 21)	5,319	5,027	-	-
	<u>262,776</u>	<u>215,018</u>	<u>16,665</u>	<u>18,276</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	
	2019 US\$'000	2018 US\$'000	2019 US\$'000	2018 US\$'000
Supplier advances	8,296	5,543	-	-
Shareholder loans	18,864	19,384	7,670	7,356
Other loans and debtors	36,965	30,978	800	1,421
	<u>64,125</u>	<u>55,905</u>	<u>8,470</u>	<u>8,777</u>

A provision of US\$6,175,000 (2018: 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 2019

18 Creditors: amounts falling due within one year

	Group		Company	
	2019	2018	2019	2018
	US\$'000	US\$'000	US\$'000	US\$'000
Loans (note 19)	706,628	598,835	-	2,333
Trade creditors	161,966	132,085	31	32
Amounts owed to group undertakings	-	-	11,436	11,734
Derivative financial instruments	17,549	-	-	-
Corporation tax	1,788	673	33	-
Other creditors	8,686	7,068	-	4,680
Accruals and deferred income	14,343	15,651	340	235
	<u>910,960</u>	<u>754,312</u>	<u>11,840</u>	<u>19,014</u>

19 Loans

	Group		Company	
	2019	2018	2019	2018
	US\$'000	US\$'000	US\$'000	US\$'000
Bank loans payable within one year	<u>706,628</u>	<u>598,835</u>	<u>-</u>	<u>2,333</u>

At the year end the group had short term borrowings amounting to US\$706,628,000 (2018: US\$598,835,000). 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 had a total finance facility of US\$989,000,000 at the year end.

20 Creditors: amounts falling due after more than one year

	Group		Company	
	2019	2018	2019	2018
	US\$'000	US\$'000	US\$'000	US\$'000
Other creditors	<u>6,018</u>	<u>1,440</u>	<u>6,018</u>	<u>1,440</u>

Included in other creditors are amounts due to certain shareholders which bear interest at the rate of 3% per annum and are repayable in 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 2019

21 Deferred taxation

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

	Group 2019 US\$'000	Company 2019 US\$'000		
Profit and loss account (note 10)	292	-		
	<u> </u>	<u> </u>		
	Group 2019 US\$'000	2018 US\$'000	Company 2019 US\$'000	2018 US\$'000
Corporate interest restriction	37	-	-	-
Other timing differences	1,728	2,130	-	-
Tax losses available	3,554	2,897	-	-
	<u>5,319</u>	<u>5,027</u>	<u>-</u>	<u>-</u>

Deferred tax is provided at the various rates enacted in the relevant jurisdictions.

22 Retirement benefit schemes

Defined contribution schemes

The group operates defined contribution pension schemes for all qualifying employees. The assets of the schemes are held separately from those of the group in independently administered funds.

The charge to profit and loss in respect of defined contribution schemes was US\$642,000 (2018: US\$671,000).

23 Share capital

Group and company

	2019 US\$'000	2018 US\$'000
Allotted and fully paid		
822 (2018: 822) Ordinary shares of US\$1 each	1	1
	<u> </u>	<u> </u>

OCEAN PARTNERS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

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:

	2019 US\$'000	2018 US\$'000
Within one year	443	658
Between two and five years	546	1,016
	<u> </u>	<u> </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.

26 Financial instruments

Group

The group has the following financial instruments:

	Note	2019 US\$'000	2018 US\$'000
Financial assets at fair value through profit or loss			
Listed investments	14	1,763	587
Derivative financial instruments	16	-	7,632
Trade debtors	16	120,699	134,843
		<u>122,462</u>	<u>143,062</u>
Financial assets at cost less impairment			
Unlisted investments	14	<u>4,246</u>	<u>8,681</u>
Financial assets that are debt instruments measured at amortised cost			
Other debtors including joint venture & supplier advances	16	76,078	41,919
Other debtors – due after more than one year	17	64,125	55,905
Metal margins held by brokers, prepayments and accrued income	16	55,672	21,206
		<u>195,875</u>	<u>119,030</u>

OCEAN PARTNERS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

26 Financial instruments (Continued)

	Note	2019 US\$'000	2018 US\$'000
Financial liabilities measured at amortised cost			
Loans	18	706,628	598,835
Other creditors	18	8,686	7,068
Other creditors – due after more than one year	20	6,018	1,440
Accruals	18	14,343	15,651
		<u>735,675</u>	<u>622,994</u>

	Note	2019 US\$'000	2018 US\$'000
Financial liabilities at fair value through profit or loss			
Trade creditors	18	161,966	132,085
Derivative financial instruments	18	17,549	-
		<u>179,515</u>	<u>132,085</u>

Derivative financial instruments

The group enters into LME and LBMA 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 concentrates 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 and LBMA price at the year end.

Company

The company has the following financial instruments

	Note	2019 US\$'000	2018 US\$'000
Financial assets that are debt instruments measured at amortised cost			
Amounts owed by group undertakings	16	16,405	18,062
Other debtors	16	260	199
Other debtors – due after more than one year	17	8,470	8,777
		<u>25,135</u>	<u>27,038</u>
Financial assets at cost less impairment			
Unlisted investments	14	14,117	14,159

OCEAN PARTNERS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

26 Financial instruments (Continued)

	Note	2019 US\$'000	2018 US\$'000
Financial liabilities measured at amortised cost			
Bank loans	18	-	2,333
Trade creditors	18	31	32
Amounts owed to group undertakings	18	11,436	11,734
Other creditors	18	-	4,680
Long term loans	20	6,018	1,440
Accruals	18	340	235
		<u>17,825</u>	<u>20,454</u>

27 Control

There is no overall controlling party.

28 Related party relationships and transactions

Group

At the year end, 3 directors (2018: 3) of the company owed Ocean Partners Holdings Limited US\$9,024,000 (2018: US\$9,545,000). 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 (2018: 4), who are also shareholders, were owed in aggregate US\$6,018,000 (2018: US\$6,120,000). The loans bear interest at the rate of 3% per annum and are repayable in instalments, with the final repayment due on 30 June 2021.

During 2018 Ocean Partners Holdings Limited paid a dividend totalling US\$4,055,000 to directors of the company, companies controlled by directors of the company and a company in which a director has significant interest. No dividends were paid in 2019.

During the year the group received interest of US\$1,344,000 (2018: US\$1,248,000) from companies in the Resource Investment Co. Limited group ('RICL'), a group controlled by some of the members of the group. At 31 December 2019, RICL owed the group US\$36,615,000 (2018: US\$35,274,000). Cumulative provisions of US\$6,175,000 (2018: US\$6,175,000) have been recognised against these loans.

At the year end, the group's only joint venture owed the group US\$3,154,000 (2018: \$2,848,000).

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 2019

29 Notes to cash flow statement

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

	2019 US\$'000	2018 US\$'000
Profit for the financial year:	4,313	1,653
Adjustments for:		
Tax on profit on ordinary activities	1,496	378
Interest payable	29,179	25,675
Interest receivable	(12,406)	(8,551)
Operating profit	22,582	19,155
Depreciation of tangible fixed assets	540	296
Amortisation of intangible fixed assets	130	146
Loss on disposal	61	3
Impairment of fixed asset investments	270	360
Working capital movements:		
(Increase) in stock	(110,585)	(4,311)
(Increase)/decrease in debtors	(50,553)	156,670
Increase/(decrease) in creditors	52,420	(90,940)
Cash (outflow)/inflow from operating activities	(85,135)	81,379

(b) Reconciliation of net debt

	2019 US\$'000	2018 US\$'000
Cash at bank and in hand	37,460	35,615
Loans falling due within one year	(706,628)	(598,835)
Net debt	(669,168)	(563,220)