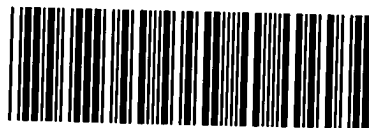


**Element Six (UK) Limited**

**Annual Report and Financial Statements  
Year Ended 31 December 2022**

**Company Registration Number: 01050981**

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**DIRECTORS AND OTHER INFORMATION**

**Board of Directors**

S Duffy  
V Matthews  
K Hildebrand  
J De Klerk  
E Leathers

**Secretary and Registered Office**

Yvonne Shave  
Global Innovation Centre  
Fermi Avenue  
Harwell, Oxford  
Didcot  
Oxfordshire OX11 0QR  
England

Element Six (UK) Limited is a private Company limited by shares, incorporated in the United Kingdom and registered in England and Wales.

**Registration Number:** 01050981

**Bankers**

BNP  
10 Harewood Avenue  
London  
NW1 6AA  
United Kingdom

**Independent Auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors

1 Embankment Place  
London  
WC2N 6RH  
United Kingdom

## **STRATEGIC REPORT**

The directors present their strategic report for the year ended 31 December 2022.

### **Business Review and principal activities**

The Company is a wholly-owned subsidiary of Element Six Abrasives Holdings Limited which manufactures and sells synthetic diamond and other super materials. The Company is the joint entrepreneur for the Abrasives business, provides management services to other Element Six Group companies the "Group" (which includes companies held by both Element Six Holdings Limited and Element Six Abrasives Holdings Limited) and undertakes research activities on behalf of the Element Six Abrasives Holdings Limited the "Abrasives Group" (which includes companies held by Element Six Abrasives Holdings Limited).

### **Results**

The profit for the year is £14,954,810 (2021: £10,491,809). Revenue increased from £42,508,712 in 2021 to £58,604,439 in 2022. This is largely down to an increase in the revenue received from the profit sharing agreement that the company has with Element Six Limited (IEPRO). As a result of organisational changes within the Group, the profit sharing agreement was updated from 1 January 2022 to reflect the new decision making processes. However, the split of profits between the Company and IEPRO did not change for 2022. The main challenges in 2022 were trying to match the supply of management services and research activities to an increase in customer demand along with managing the electricity price volatility.

### **S172 Statement**

In order to comply with Section 172 (1) of the Companies Act 2006, the Element Six (UK) Limited Board is cognisant of its legal duty to act in good faith and to promote the success of the Company for the benefit of its shareholders and with regard to the interests of stakeholders and other factors. These include the likely consequences of any decisions we make in the long term; the need to foster the relationships we have with all our stakeholders; the interests of our employees; the impact our operations have on the environment and local communities; and the desire to maintain a reputation for high standards of business conduct.

The immediate parent undertaking of Element Six (UK) Limited is Element Six Abrasives Holdings Limited. Element Six Holdings Limited owns 59.78% of shares in Element Six Abrasives Holdings Limited. Element Six Holdings is 100.00% owned by De Beers Investments plc. The remaining 40.22% is held by Umicore International SA.

Safety is a primary objective of the Company and strict policies and procedures are in place to protect all employees. The Company is committed to achieving its goal of zero harm. The Company is also committed to high standards of business conduct and integrity. A risk register is kept and constantly reviewed and updated. There is an Element Six Inclusion & Diversity Committee with the aim to increase awareness and develop a strategic inclusion and diversity framework that enables engagement across the whole organisation.

An employee engagement survey and an employee stress survey were conducted in 2022 and the results are currently being reviewed and communicated to employees.

The Company's customers are other Group companies. All major suppliers' terms and conditions have been reviewed, and with agreement from those suppliers have been updated in line with current Company practises.

The Company follows all Group guidelines and reporting with regards to environmental impacts and climate change. The policy on responsible global supply chain of minerals and metals from conflict-affected and high risk areas can be found on the Element Six website for Group.

The directors ensure the Company maintains a reputation for high standards of business conduct and acts fairly between members of the Company.

**STRATEGIC REPORT – continued**

**Financial Position**

The net liabilities as at 31 December 2022 were £35,520,725 (2021: £50,475,535). The net liability position is due to current payables due to companies in the Abrasives Group. The directors are satisfied the Company is a going concern, more information on this assessment can be found in the Directors report.

**Key performance indicators**

The key performance indicators for the Company are turnover and operating profit. The directors and management use these measures to assess the performance of the Company and to make strategic decisions. The business achieved all KPI targets in the year. This was as follows:

	2022	2021
Turnover (£)	58,604,439	42,508,712
Operating Profit (£)	<u>24,050,352</u>	<u>10,106,628</u>

**Principal risks and uncertainties**

Principal risks and uncertainties include lower demand for research activities from other Group companies driven by lower customer demand, in particular in the oil and gas industry along with uncertainty in the U.K. electricity market prices.

The directors and management will continue to monitor and manage the Company's exposure to risk, both market related and financial related, and are satisfied that current strategies in place will continue to reduce the Company's exposure to risk, and also help the business grow into the foreseeable future.

**Financial risk management objectives and policies**

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

*Currency risk*

Element Six (UK) Limited has a limited amount of exposure to currency risk with the majority of its transactions being denominated in Pound Sterling and does not hold derivatives. On occasion large payments are required to be made in foreign currency and this is managed via the Group Treasury function.

*Price risk*

The Company is not exposed to equities price risk as it does not hold any such financial assets. Commodity price risk relating to the price of production is managed locally.

*Interest rate risk*

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

*Credit risk*

The majority of the Company's debtors are intercompany and the risk is managed centrally by the treasury department for the benefit of the Group.

*Liquidity risk*

Liquidity risk is managed through a monthly review of the statement of financial position and also of the Abrasives Group.

The Company has received a letter of support from Element Six Abrasives Holdings Limited stating its intention to provide adequate financial resources to Element Six (UK) Limited for a period not less than 12 months from the Directors' approval of the relevant Company's statutory financial statements for the year ended 31 December 2022. The directors have reviewed some downside scenarios as part of their going concern analysis, please refer to the Going Concern section in the Directors' report.

**STRATEGIC REPORT – continued**

**Supply Chain**

The Group sources the majority of its consumables and raw materials from outside of the UK. However, for those which are sourced from the UK the Company is working closely with suppliers to ensure all necessary paperwork is completed to avoid delays.

**Customers**

Where products are transported through the UK, alternative distribution routes have been sought to avoid delays.

**Talent**

The Company sources talent globally and already has processes for recruiting employees from outside of the European Union that can now be applied to recruitment of employees from outside of the UK/Ireland for UK-based roles.

**Future developments**

The directors expect the general level of activity to be maintained in the forthcoming year. The impact of the conflict between Russia and Ukraine does not have a material impact on the Company.

**Events which have occurred since the end of the financial year**

There are no significant events which have occurred since the balance sheet date.

**Approval**

Approved by the Board and signed on its behalf by:



E Leathers  
Director  
12 April 2023

## **DIRECTORS' REPORT**

The directors present their report and the audited financial statements of Element Six (UK) Limited ("the Company") for the year ended 31 December 2022.

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

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

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

### **Streamlined Energy and Carbon Reporting**

The Company has elected to apply the exemption of reporting these figures due to the Company's details being included in the Anglo American Plc group annual report. Copies of the Anglo American Plc annual report are available from 17 Charterhouse Street, London, EC1N 6RA, United Kingdom.

### **Statement of Business Relationships**

The Company's business relationships with its customers, suppliers and community are noted in the Strategic Report.

### **Going Concern**

The Company is in a net liabilities position of £35.521 million (2021: £50.475 million), including current liabilities owed to other Abrasives Group entities of £80.421 million (2021: £82.141 million). The Company has received a letter of support from Element Six Abrasives Holdings Limited stating its intention to provide adequate financial resources to Element Six (UK) Limited for a period not less than 12 months from the Directors' approval of the Company's statutory financial statements for the year ended 31 December 2022.

Given the company relies on funding from Element Six Abrasives Holdings Limited and receives a large proportion of its income from the profit sharing arrangement with Element Six Limited (IEPRO) the directors review the forecasts of the Abrasives Group as part of their going concern review. The Abrasives Group was profitable in 2022 and continued growth is also being seen in 2023. Therefore, it is likely that the Company will continue to receive a profit share from IEPRO. As a result of organisational changes within the Group, the profit sharing agreement was updated from 1 January 2022 to reflect the new decision making processes. Although the split of profits between the Company and IEPRO did not change for 2022 it will reduce going forward but not to such an extent to impact the going concern of the Company.

During the year, the Group experienced inflationary cost increase. Despite these increased costs the Group remained profitable and delivered growth from the prior year.

The directors have reviewed the financial position of the Group, financial forecasts and plans including any uncertainties, the availability of funds and the current and prospective position with respect to financial covenants and have concluded that the Group has adequate resources and funding to continue in operational existence for a period of at least 12 months from the date of issuance of these financial statements.

A severe but plausible downside scenario has been modelled by reducing the performance of the Abrasives Group by the same level of decline seen from 2019 to 2020, where the Company was impacted by a global economic downturn due to Covid-19 pandemic, as well as the oil and gas price war between Russia and Saudi Arabia. No banking covenants for the Abrasives Group would be breached in this downside scenario in the next 12 months from the date of signing. Therefore, it is expected that the funding to the Company will continue.

The Board is satisfied that the Group's forecasts and projections, taking account of a severe but plausible downside scenario in trading performance, show the Group will continue to operate within the levels of its current facilities for the period assessed. For this reason, the Group continues to adopt the going concern basis in preparing its financial statements.

**DIRECTORS' REPORT - continued**

**Directors**

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

W Hühn – resigned 31 January 2023  
S Duffy  
V Matthews  
K Hildebrand  
J De Klerk – appointed 7 February 2022  
E Leathers – appointed 13 April 2022

**Directors' indemnities**

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

**Research and development**

The Company continues its research activities on behalf of the Group. Total research and development expenditure during 2022 was £8,751,583 (2021: £7,376,581).

**Results and dividends**

The Company's profit for the financial year was £14,954,810 (2021: £10,491,809). No dividends were proposed or paid in the year (2021: £nil).

**Independent Auditors and disclosure of information to auditors**

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

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

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

**Independent auditors**

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as independent auditors and appropriate arrangements are being made for them to be deemed reappointed as independent auditors in the absence of an Annual General Meeting.

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



E Leathers  
Director  
12 April 2023

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

# Independent auditors' report to the members of Element Six (UK) Limited

## Report on the audit of the financial statements

### Opinion

In our opinion, Element Six (UK) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2022; the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

## Independent auditors' report to the members of Element Six (UK) Limited – continued

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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

### **Strategic Report and Directors' Report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

### **Responsibilities for the financial statements and the audit**

#### **Responsibilities of the directors for the financial statements**

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

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

#### **Auditors' 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 auditors' 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to employment laws, health and safety regulations and general data protection regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements.

## Independent auditors' report to the members of Element Six (UK) Limited – continued

We also considered those laws and regulations that have a direct impact on the financial statements such as Companies Act 2006 and tax laws. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and management bias in making significant accounting judgements and estimates. Audit procedures performed by the engagement team included:

- Enquiry with the Group Chief Financial Officer, Group Financial Controller and legal counsel regarding actual and potential litigation and claims;
- Review of board meeting minutes for any instances of non-compliance with laws, regulations and fraud;
- Identifying and testing the validity of journal entries, in particular, any journal entries posted with unusual account combinations, unusual words and unexpected users, and any journals posted in the last two weeks of December 2022 which were deferring revenue to the first two weeks of January 2023; and
- Challenging assumptions made by management in its significant accounting judgements and estimates, in particular in relation to revenue recognition and the recognition and recoverability of deferred tax assets.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

### Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Other required reporting

### Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Nigel Comello (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
12 April 2023

**STATEMENT OF COMPREHENSIVE INCOME**  
**Year Ended 31 December 2022**

		2022	2021
	Note	£	£
Turnover	3	58,604,439	42,508,712
Staff costs	4	(13,785,877)	(12,227,700)
Administrative expenses		(20,740,578)	(20,025,601)
Amortisation of intangible assets	9	-	(141,775)
Impairment		(27,632)	(7,008)
		<hr/>	<hr/>
Operating profit	5	24,050,352	10,106,628
Net foreign exchange		(501,527)	173,947
Interest payable and similar expenses	7	(3,702,556)	(2,161,761)
		<hr/>	<hr/>
Profit before taxation		19,846,269	8,118,814
Tax on profit	10	(4,891,459)	2,372,995
		<hr/>	<hr/>
<b>Total comprehensive income for the financial year</b>		<b>14,954,810</b>	<b>10,491,809</b>

All amounts above are related to continuing operations.

The notes on pages 15 to 32 form part of the financial statements.

**STATEMENT OF FINANCIAL POSITION**  
As at 31 December 2022

		2022	2021
	Note	£	£
<b>Non-Current Assets</b>			
Tangible assets	8	15,337,735	17,634,075
Deferred tax	11	12,444,692	15,757,196
		<u>27,782,427</u>	<u>33,391,271</u>
<b>Current assets</b>			
Raw materials used in research and development activities	12	959,323	1,114,322
Debtors	13	32,703,441	13,624,545
		<u>33,662,764</u>	<u>14,738,867</u>
<b>Creditors - amounts falling due within one year</b>	14	<u>(90,754,242)</u>	<u>(91,441,948)</u>
<b>Net Current Liabilities</b>		(57,091,478)	(76,703,081)
<b>Creditors - amounts falling due after more than one year</b>	14	<u>(6,211,674)</u>	<u>(7,163,725)</u>
<b>Net liabilities</b>		<u>(35,520,725)</u>	<u>(50,475,535)</u>
<b>Capital and reserves</b>			
Called up share capital	16	175,000	175,000
Profit and loss account		<u>(35,695,725)</u>	<u>(50,650,535)</u>
<b>Total Shareholders' deficit</b>		<u>(35,520,725)</u>	<u>(50,475,535)</u>

The notes on pages 15 to 32 form part of the financial statements.

The financial statements on page 12 to 32 were approved by the Board of Directors on 12 April 2023 and signed on its behalf by:

*Eric Leathers*

E Leathers  
Director  
Element Six (UK) Limited  
Registered Number: 01050981

**STATEMENT OF CHANGES IN EQUITY**  
**Year Ended 31 December 2022**

	<b>Called up share capital £</b>	<b>Profit and loss account £</b>	<b>Total £</b>
As at 1 January 2021	175,000	(61,142,344)	(60,967,344)
Total comprehensive income for the year	-	10,491,809	10,491,809
<b>As at 31 December 2021</b>	<u>175,000</u>	<u>(50,650,535)</u>	<u>(50,475,535)</u>
As at 1 January 2022	175,000	(50,650,535)	(50,475,535)
Total comprehensive income for the year	-	14,954,810	14,954,810
<b>As at 31 December 2022</b>	<u>175,000</u>	<u>(35,695,725)</u>	<u>(35,520,725)</u>

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1 Accounting policies**

#### **General information**

The Company is a private Company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the registered office is given on the Company Information page 2.

The Company is domiciled in the United Kingdom.

#### **Basis of preparation**

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

As permitted by FRS 101, the Company has taken advantage of the following disclosure exemptions available under that standard:

- IAS 7, a Cash Flow Statement and related notes;
- The effects of new but not yet effective IFRS;
- IAS 24, Disclosures in respect of transactions with wholly owned subsidiaries;
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures. The disclosures required by IFRS 7 and IFRS 13 regarding financial instrument disclosures have not been provided apart from those which are relevant for the financial instruments which are held at fair value and are not either held as part of trading portfolio or derivatives;
- IAS 1, Paragraphs 40A–40D – Detail in respect of third balance sheet presented on a change in accounting policy, retrospective restatement or reclassification;
- IAS 38, A reconciliation of carrying amount of intangible assets at the beginning and end of the previous period;
- IAS 16, A reconciliation of the carrying amount of PPE at the beginning and end of the end of the previous period.

Where required, equivalent disclosures are given in the group financial statements of Anglo American Plc. The group financial statements of Anglo American Plc are available to the public and can be obtained from 17 Charterhouse Street, London, EC1N 6RA, United Kingdom.

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

#### **Going Concern**

The Company is in a net liabilities position of £35.521 million (2021: £50.475 million), including current liabilities owed to other Abrasives Group entities of £80.421 million (2021: £82.141 million). The Company has received a letter of support from Element Six Abrasives Holdings Limited stating its intention to provide adequate financial resources to Element Six (UK) Limited for a period not less than 12 months from the Directors' approval of the Company's statutory financial statements for the year ended 31 December 2022.

Given the company relies on funding from Element Six Abrasives Holdings Limited and receives a large proportion of its income from the profit sharing arrangement with Element Six Limited (IEPRO) the directors review the forecasts of the Abrasives Group as part of their going concern review. The Abrasives Group was profitable in 2022 and continued growth is also being seen in 2023. Therefore, it is likely that the Company will continue to receive a profit share from IEPRO. As a result of organisational changes within the Group, the profit sharing agreement was updated from 1 January 2022 to reflect the new decision making processes. Although the split of profits between the Company and IEPRO did not change for 2022 it will reduce going forward but not to such an extent to impact the going concern of the Company.

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**1 Accounting policies – continued**

During the year, the Group experienced inflationary cost increase. Despite these increased costs the Group remained profitable and delivered growth from the prior year.

The directors have reviewed the financial position of the Group, financial forecasts and plans including any uncertainties, the availability of funds and the current and prospective position with respect to financial covenants and have concluded that the Group has adequate resources and funding to continue in operational existence for a period of at least 12 months from the date of issuance of these financial statements.

A severe but plausible downside scenario has been modelled by reducing the performance of the Abrasives Group by the same level of decline seen from 2019 to 2020, where the Company was impacted by a global economic downturn due to Covid-19 pandemic, as well as the oil and gas price war between Russia and Saudi Arabia. No banking covenants for the Abrasives Group would be breached in this downside scenario in the next 12 months from the date of signing. Therefore, it is expected that the funding to the Company will continue.

The Board is satisfied that the Group's forecasts and projections, taking account of a severe but plausible downside scenario in trading performance, show the Group will continue to operate within the levels of its current facilities for the period assessed. For this reason, the Group continues to adopt the going concern basis in preparing its financial statements.

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**1 Accounting policies – continued**

**Adoption of new and revised Standards**

The accounting policies are consistent with those adopted and disclosed in the Group financial statements for the year ended 31 December 2022. The Group has not early adopted any other amendment, standard or interpretation that has been issued but is not yet effective. It is expected that where applicable, these standards and amendments will be adopted on each respective effective date. The following new or amended IFRS accounting standards, amendments and interpretations not yet adopted are not expected to have a significant impact on the Group:

- Amendments to IAS 1 Presentation of financial statements: classification of liabilities as current or non-current.
- Amendments to IAS 1 Presentation of financial statement: disclosure of accounting policies
- Amendments to IAS 8 Accounting policies, changes in accounting estimates and errors: definition of accounting estimates
- Amendments to IAS 12 Income Taxes: deferred tax related to Assets and Liabilities arising from a Single Transaction
- Amendments IFRS 17: Initial Application of IFRS 17 and IFRS 9 - Comparative Information

**Property, Plant & Equipment**

Property, Plant and Equipment is stated at historical cost less any allowance for impairment. Historical cost includes all expenditure directly related to the acquisition of the asset and to bringing it into condition for its intended use.

Depreciation commences when the asset is ready for use and is charged on a straight-line basis over the asset's expected lives as follows:

Leasehold property	25 years
Plant and machinery	3-15 years

Construction in progress (CIP) is not depreciated.

Impairments in respect of plant and machinery have been reflected in the financial statements based on the assets being technologically redundant and currently not in use. These assets were fully impaired and the loss was recognised in the profit and loss account for the year.

To the extent that a capital project is incomplete then it is classified as construction in progress and once complete is reclassified to the appropriate asset category.

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**1 Accounting policies – continued**

**Right of use assets**

Leased right of use assets are included within property, plant and equipment, and on inception of the lease are recognised at the amount of the corresponding lease liability, adjusted for any lease payments made at or before the lease commencement date, plus any direct costs incurred and an estimate of costs for dismantling, removing, or restoring the underlying asset and less any lease incentives received. Where necessary a provision is made in line with IAS 37.

The right of use asset is subsequently measured at cost less accumulated depreciation and impairment losses. The right of use asset is depreciated on a straight-line basis over the term of the lease, or, if shorter, the useful life of the asset. The useful lives of right of use assets are estimated on the same basis as those of owned property plant and equipment.

The carrying values of right of use assets are reviewed for impairment in the same way as other property, plant and equipment under IAS 36.

**Intangible assets**

Intangible assets are stated at cost less accumulated amortisation and any impairment. Amortisation is calculated to write off the costs of the intangible assets in equal annual instalments over their estimated useful life.

Intangible assets are reviewed for impairment whenever changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount.

The amortisation period is as follows:	Years
Customer list	5

**Impairment of tangible and intangible assets excluding goodwill**

At each balance sheet date, the Company reviews the carrying amounts of its 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 to determine the extent of the impairment loss, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of the fair value less costs to sell and the 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 the income statement.

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, 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 the income statement.

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**1 Accounting policies – continued**

**Research and development**

Research and development expenditure is written-off to the profit and loss account as incurred so no internally generated intangible asset can be recognised for development expenditure given that it is not expected to generate an economic benefit in future reporting periods.

**Raw materials used in research and development activities**

Raw materials are recognised once there is a present economic resource controlled by the Company as a result of past events. This typically arises upon purchase of such raw materials by the Company. These raw materials are also assessed for impairment when indicators of impairment arise.

**Financial instruments**

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

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, which approximates to fair value given the short-dated nature of these assets, less provision for impairment. If collection is expected in one year or less, they are classified as current assets. If not, they are classified as non-current assets.

The Company applies the simplified expected credit loss model for its trade receivables measured at amortised cost, as permitted by IFRS 9. Customers who wish to trade on credit terms with the Group are subject to credit verification; debtor balances are reviewed regularly with the result that the Group's exposure to bad debt is not significant. The expected credit loss on trade receivables is calculated using a provision matrix based on the country and assessed risk-rating of the receivable. The provision applied to each country is determined based on country risk and internal credit rating of the receivable. Debtor balances with other Group companies are reviewed regularly by Group treasury.

Trade receivables are derecognised when the Company no longer has contractual rights to the cash flows or when the receivable has been transferred.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, which approximates to fair value given the short-dated nature of these liabilities.

Trade payables are classified as current liabilities if payment is due within one year or less. If not they are presented as non-current liabilities.

**Deferred taxation**

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

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

Deferred tax asset arises from tax losses which is only recognised once management is certain the losses will be utilised.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets and liabilities are not discounted.

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**1 Accounting policies - continued**

**Taxation**

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

**Lease liabilities**

Lease liabilities recognised on the balance sheet are recognised within borrowings but excluded from net debt. On inception, the lease liability is recognised as the present value of the expected future lease payments, calculated using the Group's incremental borrowing rate, adjusted to reflect the length of the lease and country of location. For a minority of leases where it is possible to determine the interest rate implicit in the lease, it is used in place of the Group's incremental borrowing rate.

Lease payments included in the lease liability consist of each of the following:

- Fixed payments, including in-substance fixed payments;
- Payments whose variability is dependent only upon an index or a rate, measured initially using the index or rate at the lease commencement date. The lease liability is revalued when there is a change in future lease payments arising from a change in an index or rate;
- Any amounts expected to be payable under a guarantee of residual value;
- The exercise price of a purchase option that the Group is reasonably certain to exercise, the lease payments after the date of a renewal option if the Group is reasonably certain to exercise its option to renew the lease, and penalties for exiting a lease agreement unless the Group is reasonably certain not to exit the lease early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change to the forecast lease payments. When the lease liability is remeasured, an adjustment is made to the corresponding right of use asset.

**Foreign currencies**

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

**Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

**Retirement benefits**

The Company has a Group Personal Pension Plan (defined contribution scheme).

The defined contribution pension charge to operating profit comprises the contribution payable to the Group Personal Pension Plan for the year.

**Grants**

Grant income is recognised when the conditions for the receipt of the grant have been satisfied. Revenue grants are recognised in the profit and loss account to match them against the expenditure to which they relate.

## NOTES TO THE FINANCIAL STATEMENTS - continued

### 1 Accounting policies - continued

#### Long Term Compensation Plan (LTCP)

The Company recognises a liability and expense for bonuses, based on formulae that take into consideration net earnings, after certain adjustments. The Company recognises a liability where contractually obliged or where there is a past practice that has created a constructive obligation.

Long term compensation plans take into consideration net earnings, after certain adjustments and either an achievement of three-year targets or a percentage of annual bonus amounts. The Company recognises a liability where contractually obliged or where there is a past practice that has created a constructive obligation.

#### Interest payable and similar charges

Interest payable and similar charges are recognised in the Statement of Comprehensive Income in the period for which they relate.

#### Turnover

Turnover represents amounts derived from the provision of services derived from the research and development into synthetic diamond manufacturing along with revenue from a profit sharing agreement with Element Six Limited (IEPRO).

Revenue is derived principally from other Group companies worldwide with some third-party product revenues and research and development income.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services supplied or from the profit-sharing agreement with Element Six Limited (IEPRO), stated net of discounts, returns and value added taxes. The Company recognises revenue when performance obligations have been satisfied and for the Company this is when the goods have transferred to the customer and the customer has control of these. The Company's activities are described in detail below.

##### (a) Sale of services

The Company provides research and development services to the Group and De Beers companies under cost plus agreements. Revenue from providing such services is recognised in the accounting period in which the services are rendered.

##### (b) Profit sharing agreement

The Company is entitled to a share of the profits from IEPRO and recognises this as revenue when the profits are generated by the underlying sales are made by IEPRO.

### 2 Critical accounting judgements and key sources of estimation uncertainty

Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company 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 the carrying amounts of assets and liabilities within the next financial year are addressed below.

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**2.1 Critical judgements**

As at 31 December 2022, management note that the sole such judgement relates to the revenue recognition treatment applied to the profit sharing agreement with IEPRO. This agreement is considered to be a sales/usage-based net royalty for intellectual property and has been assessed to result in point in time revenue recognition.

**2.2 Key sources of estimation uncertainty**

The deferred tax asset as at 31 December primarily arose from historical tax losses of £10,835,129 (2021: £14,165,286). During the year £3,330,157 of these losses were utilised (2021: £1,119,919) and the profits generated are sufficient for the deferred tax asset to be recovered within five years. The future profits were determined with reference to the five-year plan as approved by the Board of Directors. The profits are sensitive to future demand for products which is dependent on market conditions. When a reasonable but plausible downside scenario is considered, the recovery of the deferred tax balance increases from five years to six years.

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Turnover

Turnover, which is shown net of VAT, represents amounts derived from the provision of services derived from the research and development into synthetic diamond manufacturing along with revenue from a profit sharing agreement with IEPRO.

Revenue is derived principally from the Group companies worldwide with some third party product revenues and research and development income.

All revenue is recognised at a point in time.

An analysis of turnover by geographical market is given below:

	2022	2021
	£	£
UK	8,829,102	7,858,440
Europe	49,390,761	34,609,983
Rest of World	384,576	40,289
	<u>58,604,439</u>	<u>42,508,712</u>

The directors consider that the disclosure of further disaggregated information would be seriously prejudicial to the interests of the Company and therefore have not disclosed such information.

4 Staff costs

The monthly average number of persons employed by the Company during the year was as follows:

	2022	2021
	Number	Number
Production / Research & Development	100	79
Administration	47	66
	<u>147</u>	<u>145</u>
The staff costs comprise:	£	£
Wages and salaries	12,226,023	10,781,335
Social security costs	1,006,992	911,514
Other pension costs	552,862	534,851
	<u>13,785,877</u>	<u>12,227,700</u>

The value of the unpaid pension contributions for the year ended 31 December 2022 was £97,717 (2021: £95,343).

NOTES TO THE FINANCIAL STATEMENTS - continued

5 Operating profit

Operating profit is stated after charging/(crediting):

	2022 £	2021 £
Auditors' remuneration – statutory audit services	22,232	16,252
Auditors' remuneration – audit services related to the Group	481,791	443,636
Research and development expenditure	8,751,583	7,376,581
Depreciation of fixed assets	1,626,905	1,766,313
Depreciation of right of use assets	1,326,577	1,053,575
Amortisation of intangible assets	-	141,775
Donations	2,934	5,102
Grant income	(215,734)	(426,844)
Impairment of fixed assets	27,632	7,008
Group support costs	3,662,812	6,078,763

There have been no non-audit services provided by the auditors of the Company (2021: none).

Group support costs include central finance, HR, IT, and strategy costs which the business incurs as the joint entrepreneur to support the wider Abrasives Group.

6 Directors' emoluments

	2022 £	2021 £
Aggregate emoluments	947,288	510,931
Aggregate amounts receivable under long-term incentive plan	77,226	48,223
Contributions paid to defined contribution pension scheme	38,967	4,019

	2022 Number	2021 Number
Members of defined contribution scheme	3	2

	2022 £	2021 £
The amounts in respect of the highest paid director are as follows:		
Total of emoluments	351,628	363,158
Contributions paid to defined contribution pension scheme	12,719	4,019

NOTES TO THE FINANCIAL STATEMENTS - continued

7 Interest payable and similar expenses

	2022 £	2021 £
Intercompany interest payable	3,333,282	1,757,728
Unwinding of discount relating to lease liabilities	369,274	404,033
	<u>3,702,556</u>	<u>2,161,761</u>

8 Tangible assets

	Short leasehold property £	Plant and machinery £	Construction in progress (CIP) £	Total Owned £	Right of use assets £	Total £
<b>Cost</b>						
At 1 January 2022	5,236,437	14,781,876	228,362	20,246,675	11,795,498	32,042,173
Additions	-	-	684,774	684,774	-	684,774
Transfer - CIP	-	556,421	(556,421)	-	-	-
Disposals	-	(199,560)	-	(199,560)	-	(199,560)
At 31 December 2022	<u>5,236,437</u>	<u>15,138,737</u>	<u>356,715</u>	<u>20,731,889</u>	<u>11,795,498</u>	<u>32,527,387</u>
<b>Accumulated Depreciation</b>						
At 1 January 2022	1,579,181	9,383,840	-	10,963,021	3,445,077	14,408,098
Charge for the year	227,536	1,399,369	-	1,626,905	1,326,577	2,953,482
Impairment	-	27,632	-	27,632	-	27,632
Disposals	-	(199,560)	-	(199,560)	-	(199,560)
At 31 December 2022	<u>1,806,717</u>	<u>10,611,281</u>	<u>-</u>	<u>12,417,998</u>	<u>4,771,654</u>	<u>17,189,652</u>
<b>Net book value</b>						
At 31 December 2022	<u>3,429,720</u>	<u>4,527,456</u>	<u>356,715</u>	<u>8,313,891</u>	<u>7,023,844</u>	<u>15,337,735</u>
At 31 December 2021	<u>3,657,256</u>	<u>5,398,036</u>	<u>228,362</u>	<u>9,283,654</u>	<u>8,350,421</u>	<u>17,634,075</u>

Depreciation commences when the asset is ready for use as per management's intentions, and is charged on a straight line basis over the asset's expected lives as follows:

Leasehold property	25 years
Plant and machinery	3-15 years
Right of use assets	16 years

All Right of use assets and lease liabilities arise from property leases.

NOTES TO THE FINANCIAL STATEMENTS - continued

9 Intangible assets

	Customer list £	Total £
<b>Cost</b>		
At 1 January 2022	1,063,315	1,063,315
Additions	-	-
	<hr/>	<hr/>
At 31 December 2022	1,063,315	1,063,315
	<hr/>	<hr/>
<b>Accumulated Amortisation</b>		
At 1 January 2022	1,063,315	1,063,315
Charge for the year	-	-
	<hr/>	<hr/>
At 31 December 2022	1,063,315	1,063,315
	<hr/>	<hr/>
<b>Net book value</b>		
At 31 December 2022	-	-
	<hr/>	<hr/>
At 31 December 2021	-	-
	<hr/>	<hr/>

Intangible assets represent a customer list acquired from another Group Company. The amounts have been amortised on a straight line basis over the useful lives, and fully written down during the year.

NOTES TO THE FINANCIAL STATEMENTS - continued

10 Tax on profit

	2022 £	2021 £
Current tax:		
UK corporation tax on profit for the year	1,503,924	212,785
Adjustments in respect of prior years	75,032	(109,637)
Total current tax charge	<u>1,578,956</u>	<u>103,148</u>
Deferred tax:		
Current year	2,457,832	1,390,698
Adjustments in respect of prior years	78,514	(85,114)
Adjustments in deferred tax due to change in tax rate	776,157	(3,781,727)
Total deferred tax	<u>3,312,503</u>	<u>(2,476,143)</u>
Total tax per income statement	<u>4,891,459</u>	<u>(2,372,995)</u>

The tax assessed on the profit/(loss) for the year differs from that which would result from applying the standard effective rate of corporation tax in the UK of 19.00% (2021: 19.00%) to the profit/(loss) on activities. The differences are explained below:

	2022 £	2021 £
Profit before taxation	19,846,269	8,118,814
Profit multiplied by standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	3,770,791	1,542,575
Expenses not deductible for tax purposes	695,984	374,655
Income not taxable	(34,472)	-
Adjustments in deferred tax due to change in tax rate	776,157	(3,781,727)
Adjustment in respect of prior years	153,546	(194,751)
Effects of Group relief/other reliefs	(470,547)	(288,906)
Transfer pricing adjustments	-	(24,841)
Total tax for the year	<u>4,891,459</u>	<u>(2,372,995)</u>

Factors that may affect future tax charges

The Finance (No. 2) Act 2015 reduced the standard rate of corporation tax to 19%, effective from 1 April 2017. A further reduction in the UK corporation tax rate to 17% was expected to come into effect from 1 April 2020, however, legislation in the Finance Act 2020, enacted in July 2020, repealed this reduction. The Finance Act 2021 included measures to increase the standard rate of UK corporation tax to 25% with effect from 1 April 2023. The Finance Act 2021 was enacted in June 2021 and accordingly, these rates are applicable to the measurements of deferred tax balances at 31 December 2022.

NOTES TO THE FINANCIAL STATEMENTS - continued

11 Deferred tax

The analysis of deferred tax assets is as follows:

	2022 £	2021 £
<b>Deferred tax assets</b>		
To be recovered after more than 12 months	10,010,655	15,294,096
To be recovered within 12 months	2,434,037	463,100
	<u>12,444,692</u>	<u>15,757,196</u>
<b>Total deferred tax assets</b>		

	Capital tax losses £	Property, plant and equipment temporary differences £	Other £	Total £
<b>Deferred tax assets</b>				
As at 1 January 2021	11,851,446	1,284,593	145,012	13,281,051
(Charge)/credit to the income statement	2,313,840	195,021	(32,716)	2,476,145
	<u>14,165,286</u>	<u>1,479,614</u>	<u>112,296</u>	<u>15,757,196</u>
At 31 December 2021	14,165,286	1,479,614	112,296	15,757,196
(Charge)/credit to the income statement	(3,330,157)	(189,364)	207,017	(3,312,504)
	<u>10,835,129</u>	<u>1,290,250</u>	<u>319,313</u>	<u>12,444,692</u>
At 31 December 2022				

There are unrecognised deferred tax assets as follows:

	2022 £	2021 £
Capital tax losses	1,267,654	1,267,654
	<u>1,267,654</u>	<u>1,267,654</u>

Deferred tax assets in respect of capital tax losses amounting to £5,070,617 (2021: £5,070,617) have not been recognised. This is on the basis that it is not probable that there will be sufficient and suitable taxable profits arising in future periods against which to utilise all of them.

NOTES TO THE FINANCIAL STATEMENTS - continued

12 Raw materials used in research and development activities

	2022 £	2021 £
	959,323	1,114,322
Raw material to be consumed in research and development activities	<u>959,323</u>	<u>1,114,322</u>

The replacement cost of stocks did not differ significantly from the figures shown.

The Company holds raw materials to be consumed in research and development activities. These raw materials are not classified as inventory as they do not meet the recognition criteria of IAS 2 "Inventory".

13 Debtors

	2022 £	2021 £
Trade debtors	363,570	286,217
Amounts owed by other Group undertakings	29,375,420	9,728,327
Amounts owed by related parties	1,615,004	1,355,531
Other debtors	-	330
VAT recoverable	178,751	112,169
Prepayments	627,731	298,936
Corporation tax receivable	542,965	1,843,035
	<u>32,703,441</u>	<u>13,624,545</u>

Amounts owed by other Group undertakings falling due within one year are unsecured, interest free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS - continued

14 Creditors

	2022	2021
	£	£
Trade creditors	2,737,797	1,620,046
Amounts owed to Group undertakings	80,420,539	82,140,721
Amounts owed to related parties	556,876	1,494,732
Lease Liability	1,344,000	1,344,000
Other taxation and social security	246,180	236,416
Accruals and deferred income	5,448,850	4,606,033
	<u>90,754,242</u>	<u>91,441,948</u>
<b>Amount falling due after more than one year</b>		
Lease Liability	6,211,674	7,163,725
	<u>96,965,916</u>	<u>98,605,673</u>

Amounts owed to Group undertakings falling due within one year are unsecured, interest free and are repayable on demand with the exception of £77,403,598 (2021: £79,065,890) owed to Element Six Abrasives Treasury Limited, this is unsecured, interest bearing (a margin of 2.25% plus 3 month GBP Libor) and is repayable on 30 days' notice.

15 Leases

Lease agreements give rise to the recognition of a right of use assets (see note 8) and a related liability for future lease payments.

Leases principally relate to the innovation centre. The Company leases the innovation centre. The lease for the innovation centre is for 10 years. Leases for small items of property, plant and equipment typically run for 3 to 5 years.

Lease liabilities balance and maturity analysis is as follows:

	2022	2021
	£	£
- not later than one year	1,344,000	1,344,000
- later than one year and not later than five years	5,376,000	5,376,000
- later than five years	2,016,000	3,360,000
	<u>8,736,000</u>	<u>10,080,000</u>

16 Ordinary share capital

	2022	2021
	£	£
<b>Ordinary shares issued and fully paid:</b>		
175,000 (2021:175,000) ordinary shares of £1 each	175,000	175,000
	<u>175,000</u>	<u>175,000</u>

The Company does not have a limited amount of authorised shares.

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**17 Ultimate parent Company**

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

Element Six Abrasives Holdings Limited is owned by De Beers Plc. (59.78%) and Umicore International SA (40.22%). Umicore is registered in Belgium, while De Beers Plc is registered in Jersey and its ultimate controlling entities are Anglo American plc (85.00%) and the Government of the Republic of Botswana (15.00%).

The parent of the largest group in whose consolidated financial statements the Company is included is Anglo American plc, a public limited Company registered in England and Wales. The group financial statements of Anglo American plc can be obtained from the Company Secretary of Anglo American plc, whose registered address is 20 Carlton House Terrace, London SW1Y 5AN, United Kingdom or the Anglo American plc website.

**18 Related party disclosures**

59.78% of the shares in Element Six Abrasives Holdings Limited are held by Element Six Holdings Limited. The remaining 40.22% is held by Umicore International SA. The ultimate parent of Umicore International SA is Umicore Belgian Quoted Co, a company registered in Belgium.

Element Six Holdings Limited is 100% owned by De Beers Plc, and De Beers Investments plc is ultimately owned by Anglo American plc (85.00%), and the Government of the Republic of Botswana (15.00%).

Anglo American plc, which ultimately owns 85.00% of De Beers Plc, is also a related party. Transaction details are as follows:

	2022 £	2021 £
Expense from Anglo American plc	(869,092)	(1,012,509)
Total payable at year end	<u>(53,381)</u>	<u>(850,788)</u>

De Beers plc which owns 100.00% of the shares in Element Six Holdings Limited, is a related party. Transaction details are as follows:

	2022 £	2021 £
Expense from De Beers plc	(1,368,757)	(1,123,903)
Total payable at year end	<u>(128,190)</u>	<u>(336,203)</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued**

**18 Related party disclosures – continued**

Element Six Holdings Limited, which owns 59.78% of Element Six Abrasives Holdings Limited, is also a related party along with its other subsidiaries. Transaction details are as follows:

	2022 £	2021 £
Income from Element Six Holdings Limited and its other subsidiaries	8,810,204	8,089,233
Total receivable from Element Six Holdings Limited and its other subsidiaries at year end	1,615,004	1,355,531
Total payable to Element Six Holdings Limited and its other subsidiaries at year end	<u>(375,305)</u>	<u>(307,741)</u>