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Minmetals (UK) Limited

Annual report and financial statements

for the year ended 31 December 2018

Registered number: 01899182

Minmetals (UK) Limited

Contents

Minmetals (UK) Limited

Officers and professional advisers

Directors

Mr Jin Wang
Mr Liangmin Gu
Mr Han Sun

Secretary

Mr. Jing Xiang Yuan

Registered Office

Mimet House
5A Praed Street
London W2 1NJ
England, United Kingdom

Bankers

Bank of China
2 Lothbury
London EC2E 7DB

Barclays Bank PLC
Willesden & Notting Hill Branch
P.O. Box 3750 London NW10 6AQ

ICBC (London) Limited
81 King William Street
London EC4N 7BG

HSBC Bank PLC
Level 2, 62-76, Park Street
London SE1 9RN

China Construction Bank, London Branch
11 Old Broad Street,
London EC 2N 1AP

Banco Bilbao Vizcaya Argentaria S.A. Hong Kong Branch
BBVA unit 9507, Level 95, International Commerce Centre
One Austin Road West, Kwloon
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ING Bank N.V.
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1102 MG Amsterdam, Netherlands AMP E.06.007

Deutsche Bank AG, Hongkong Branch
Level 57, International Commerce Centre
1 Austin Road West, Kowloon, Hong Kong
China – Hong Kong

Agricultural Bank of China (UK) Limited
7th Floor, 1 Bartholomew Lane
London EC2N 2AX

Commonwealth Bank of Australia Hong Kong Branch
13/F, Exchange Square One
Connaught Place, Central
China – Hong Kong

Solicitors

Taylor Wessing
5 New St. Square
London EC4A 3TW

Independent Auditors

PricewaterhouseCoopers LLP
Donington Court
Pegasus Business Park
Herald Way
East Midlands
DE74 2UZ

Strategic report

This strategic report has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to Minmetals (UK) Limited and its subsidiary undertakings when viewed as a whole.

Review of the business

Minmetals (UK) Limited and its subsidiary is a wholly-owned group owned by China Minmetals Corporation Limited, a company incorporated and registered in the People's Republic of China, and operates as China Minmetals Corporation Limited's UK division.

The principal activity of the Group is that of acting as principal and agent, dealing and trading in metals, minerals and other commodities. The Group also has activities in property management.

The Group's turnover has increased from $827,347,828 to $859,625,818, and shown in the Group's profit and loss account, there was a profit after tax of $1,062,124 (2017: $638,178). The Group's financial position as per the balance sheet shows net assets of $36,771,987 (2017: $36,971,834) at the end of the year.

The Group continues to seek profitable business, and has been able to minimise interest costs through a strong cash position.

Events after the balance sheet date

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

Key performance indicators

Management of Minmetals (UK) Limited relies on the sales volume as key performance indicator to monitor the metal business in the competitive business environment. The trading sales are shown below:

	2018	*2017*	*Definition*
Non-ferrous metals:			
Actual sales volume	*206,204mt*	*203,221mt*	*Annual actual sales volume*
Budgeted sales volume	*160,000mt*	*160,900mt*	*Annual budgeted sales volume*
Realization ratio	*128.88%*	*126.30%*	*Annual actual sales volume/ budgeted sales volume*
Ferrous metals:			
Actual sales volume	-	*3,997mt*	*Annual actual sales volume*
Budgeted sales volume	-	*4,000mt*	*Annual budgeted sales volume*
Realization ratio	-	*100%*	*Annual actual sales volume/ budgeted sales volume*

Principal risks and uncertainties

The Group headed Minmetals (UK) Limited is engaged in the metal product trading business and property management. The major risk facing the Company is the market risk and the Chinese Government changes to its export/import policies. Regarding the market risk, the Company only does back-to-back business in order to avoid the market fluctuations and uses derivatives to hedge against basic metals market price fluctuations.

The change in valuation of the Group's investment properties is heavily dependent on the property market within London and the United Kingdom.

Strategic report (continued)

Future developments

The directors expect the general level of activity to remain consistent with 2018 in the forthcoming year. The Group will maintain its operations in the areas of its current principal activity and further expand our mineral business in the worldwide market.

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

Jin Wang
Managing Director

22 May 2019

Mimet House
5a Praed Street
London W2 1NJ

Directors' report

The directors present their annual report on the affairs of the Group, together with the audited financial statements and auditors' report, for the year ended 31 December 2018.

Future developments and events after the balance sheet date

Details of future developments and events that have occurred after the balance sheet date can be found in the Strategic Report on page 2 to 3 and form part of this report by cross reference.

Going concern

The directors have a reasonable expectation that the Group has adequate resources for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Company's financial statements. Further details can be found in note 1 of the accounting policies.

Financial risk management objectives and policies

The Group's activities expose it to a number of financial risks including credit risk, cash flow risk, liquidity risk and price risk. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks. The Group does not use derivative financial instruments for speculative purposes.

Cash flow risk

The Group's activities expose it primarily to the financial risks of changes in basic metals market price. The Group sometimes uses London Metal Exchange contracts to hedge these exposures.

Credit risk

Credit risk is the risk that the counterparty will be unable to pay amounts in full when due. The Group's principal financial assets are bank balances and cash, trade and other receivables.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. Management monitors exposure to credit risk through regular review of credit exposure, assessing creditworthiness of counterparties and prudent estimates of provision for doubtful debts.

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its financial requirements. In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company uses short-term debt finance. Assets are therefore managed with liquidity in mind maintaining a healthy balance of cash and cash equivalents. The maturity profile is monitored to ensure adequate liquidity is maintained.

The Group has considerable financial resources. As a consequence, the directors believe that the Company is well place to manage its business risks successfully despite the current uncertain economic outlook.

Minmetals (UK) Limited

Directors' report (continued)

Financial risk management objectives and policies (continued)

Price risk

The ever-changing international prices of the main commodities is the principal uncertainty of the Group's business. Although the short-term risks can be minimised using certain financial derivatives; the business scope over a longer period is always changing following the international market and is difficult to predict.

Another risk faced by the Group is that of changes in valuation of its investment properties which are dependent heavily on the property market within London and the United Kingdom. The value of rentals earned is also affected by the changes in the commercial letting market in London.

Dividends

The directors do not recommend a final dividend for the year ended 31 December 2018 (2017: $nil).

Directors

The following served as directors throughout the year and to the present time unless otherwise stated:

Mr Jin Wang
Mr Liangmin Gu
Mr Han Sun

No director had any beneficial or non-beneficial interests in the shares of the Company during the year or at 31 December 2018.

Statement of 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 director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself 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.

A resolution to reappoint PricewaterhouseCoopers LLP will be proposed at the forthcoming Annual General Meeting.
Approved by the Board and signed on its behalf by:

Jin Wang
Managing Director

22 May 2019

Mimet House
5a Praed Street
London W2 1NJ

Statement of directors' responsibilities in respect of the financial statements

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 group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 group and parent company and of the profit or loss of the group and parent 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 102, 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 group and parent company will continue in business.

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

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

Independent auditors' report to the members of Minmetals (UK) Limited

Report on the audit of the financial statements

Opinion

In our opinion, Minmetals (UK) Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2018 and of the group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 consolidated and company balance sheets as at 31 December 2018; the consolidated profit and loss account and consolidated statement of comprehensive income, the consolidated cash flow statement, and the consolidated and company statements 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 group 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

ISAs (UK) require us to report to you when:

- 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 and company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy.

Independent auditors' report to the members of Minmetals (UK) Limited (continued)

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.

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 the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require 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 2018 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 group and company and their 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 in respect of the financial statements, 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 group's and 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 group or 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.

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

Independent auditors' report to the members of Minmetals (UK) Limited (continued)

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 received 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 company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

David Teager (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands
22 May 2019

Consolidated profit and loss account
For the year ended 31 December 2018

	Note	2018 $	2017 $
Turnover	3	859,625,818	827,347,828
Cost of sales		(847,053,494)	(820,421,246)
Gross profit		12,572,324	6,926,582
Administrative expenses		(3,718,625)	(4,505,300)
Investment property revaluation (loss)/gain	10	(139,867)	37,009
Other operating income	20	497,174	12,093
Operating profit	5	9,211,006	2,470,384
Finance income	4	654,180	37,828
Finance costs	4	(8,459,962)	(1,932,458)
Profit before taxation		1,405,224	575,754
Tax on profit	9	(343,100)	62,424
Profit for the financial year		1,062,124	638,178

All activities are derived from continuing operations.

The parent company has taken advantage of the exemption conferred by Section 408 of the Companies Act 2006 not to present a separate profit and loss account. The profit for the year attributable to the parent company was $1,174,123 (2017: $1,203,351).

Consolidated statement of comprehensive income
For the year ended 31 December 2018

	2018 $	2017 $
Profit for the financial year	1,062,124	638,178
Currency translation difference on foreign currency net investment	(1,261,971)	1,901,976
Total comprehensive (expense)/income	(199,847)	2,540,154

Minmetals (UK) Limited

Consolidated balance sheet as at 31 December 2018

	Notes	2018 $	2017 $
Fixed assets			
Tangible assets	10	24,714,608	26,390,930
Current assets			
Stocks	12	106,667,446	44,434,228
Debtors			
- due within one year	13	88,974,712	190,448,978
Cash at bank and in hand		2,798,320	2,808,058
		198,440,478	237,691,264
Creditors: amounts falling due within one year	14	(183,644,627)	(224,448,881)
Net current assets		14,795,851	13,242,383
Total assets less current liabilities		39,510,459	39,633,313
Provisions for liabilities	15	(2,738,472)	(2,661,479)
Net assets		36,771,987	36,971,834
Capital and reserves			
Called up share capital	16	13,813,724	13,813,724
Revaluation reserve	16	9,459,648	10,047,905
Profit and loss account		13,498,615	13,110,205
Total shareholders' funds		36,771,987	36,971,834

The financial statements including the notes on page 17 to 35 were approved by the Board of Directors on 22 May 2019 and signed on its behalf by:

Jin Wang
Managing Director

Company balance sheet as at 31 December 2018

	Notes	2018 $	2017 $
Fixed assets			
Tangible assets	10	13,930	22,275
Investment	11	2	2
		13,932	22,277
Current assets			
Stocks	12	106,667,446	44,434,228
Debtors			
- due within one year	13	88,900,223	190,397,248
Cash at bank and in hand		2,507,035	2,354,290
		198,074,704	237,185,766
Creditors: amounts falling due within one year	14	(181,584,244)	(221,871,906)
Net current assets		16,490,460	15,313,860
Total assets less current liabilities		16,504,392	15,336,137
Provisions for liabilities	15	-	(5,868)
Net assets		16,504,392	15,330,269
Capital and reserves			
Called up share capital	16	13,813,724	13,813,724
Profit and loss account		2,690,668	1,516,545
Total shareholders' funds		16,504,392	15,330,269

The financial statements including the notes on page 17 to 35 were approved by the Board of Directors on 22 May 2019 and signed on its behalf by:

Jin Wang
Managing Director

Minmetals (UK) Limited

Consolidated statement of changes in equity
For the year ended 31 December 2018

	Called up share capital $	Revaluation reserve $	Profit and loss account $	Total $
At 1 January 2017	13,813,724	9,178,146	11,439,810	34,431,680
Profit for the financial year	-	-	638,178	638,178
Currency translation difference on foreign currency net investment	-	869,759	1,032,217	1,901,976
At 31 December 2017	13,813,724	10,047,905	13,110,205	36,971,834
Profit for the financial year	-	-	1,062,124	1,062,124
Currency translation difference on foreign currency net investment	-	(588,257)	(673,714)	(1,261,971)
At 31 December 2018	13,813,724	9,459,648	13,498,615	36,771,987

Company statement of changes in equity
For the year ended 31 December 2018

	Called up share capital $	Profit and loss account $	Total $
At 1 January 2017	13,813,724	313,194	14,126,918
Profit for the financial year	-	1,203,351	1,203,351
At 31 December 2017	13,813,724	1,516,545	15,330,269
Profit for the financial year	-	1,174,123	1,174,123
At 31 December 2018	13,813,724	2,690,668	16,504,392

Minmetals (UK) Limited

Consolidated cash flow statement
For the year ended 31 December 2018

	Notes	2018 $	2017 $
Cash used in operations	17	(38,429,156)	(101,527,339)
Income tax paid		-	-
Net cash flows used in operating activities		(38,429,156)	(101,527,339)
Cash flows (used in)/generated from investing activities			
Proceeds from sale of equipment	17	-	23,058
Purchase of equipment	10	(87,347)	(9,573)
Interest receivable	4	654,180	37,828
Net cash flows generated from investing activities		566,833	51,313
Cash flows (used in)/generated from financing activities			
Repayments of loan interest	4	(3,271,638)	(944,548)
New bank loans raised		41,014,506	100,381,537
Net cash flows generated from financing activities		37,742,868	99,436,989
Net decrease in cash and cash equivalents		(119,455)	(2,039,037)
Cash and cash equivalents at beginning of year		2,808,058	6,154,329
Effect of foreign exchange rate changes		109,717	(1,307,234)
Cash and cash equivalents at end of year		2,798,320	2,808,058

Notes to the financial statements
For the year ended 31 December 2018

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

a. General information and basis of accounting

Minmetals (UK) Limited is a company incorporated in the United Kingdom under the Companies Act 2006.

The Company is a private company limited by shares and the address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the strategic report on page 2 to 3.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of Minmetals (UK) Limited is considered to be United States dollars because that is the currency of the primary economic environment in which the Company operates. The consolidated financial statements are also presented in United States dollars. Foreign operations are included in accordance with the policies set out below.

Minmetals (UK) Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside the consolidated financial statements. Exemptions have been taken in relation to share-based payments, financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

b. Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 December each year. Minmetals Iron & Steel UK Limited is accounted for at cost less impairment. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed.

Business combinations are accounted for under the purchase method. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

c. Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. The directors' report further describes the financial position of the Group; its cash flows, liquidity position and borrowing facilities; the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

The Group has a positive cash balance of $2,798,320 (2017: $2,808,058) and net current assets of $14,795,851 (2017: $13,242,383). The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facility.

Notes to the financial statements (continued)
For the year ended 31 December 2018

1. Accounting policies (continued)

c. Going concern (continued)

The directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

d. Investment properties

Investment properties for which fair value can be measured reliably without undue cost or effort on an ongoing basis are measured at fair value annually with any change recognised in the profit and loss account.

e. Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation is provided on cost in equal annual instalments over the estimated lives of the assets. The rates of depreciation are as follows:

Motor vehicles	25% per annum
Fixtures, fittings and equipment	25% per annum
Computer equipment	33% per annum
Leasehold improvement	10% per annum
Land and buildings	To the end of the lease
Investment properties	Nil

f. Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Notes to the financial statements (continued)
For the year ended 31 December 2018

1. Accounting policies (continued)

f. Financial instruments (continued)

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

(a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.

(b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.

(c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).

(d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.

(e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.

(f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of some hedging instruments, other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Group, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

(ii) Investments

In the financial statements of Minmetals (UK) Limited, the Company's investments in its subsidiary are held as fixed assets and are stated at cost, less provision for impairment in the value of the investments.

In the Company balance sheet, investments in subsidiaries and associates are measured at cost less impairment.

1. Accounting policies (continued)

f. Financial instruments (continued)

(iii) Derivative financial instruments

The Group uses derivative financial instruments to reduce exposure to metal price risk. The Group does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

(iv) Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

g. Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to the net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Cost is calculated using the FIFO (first-in, first-out) method. Provision is made for obsolete, slow-moving or defective items where appropriate.

h. Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Financial assets

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Notes to the financial statements (continued)
For the year ended 31 December 2018

1. Accounting policies (continued)

i. Taxation

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, 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 is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Notes to the financial statements (continued)
For the year ended 31 December 2018

1. Accounting policies (continued)

j. Turnover

Turnover is stated net of VAT and also includes commission income receivable on agency sales and rental income from property management activities. Turnover is recognised when the significant risks and rewards are considered to have been transferred to the buyer. Turnover from the sale of goods is recognised when the goods are physically delivered to the customer. Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable. Turnover from the rental income is recognised on a straight line basis over the term of the lease. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

For those transactions where the Group makes significant risk in terms of stock, pricing or credit, turnover is recognised as principal. Where no significant risk passes to the Group and the Group acts as either agent or broker then only the commission receivable is recorded as turnover.

k. Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of overseas operations are reported in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate). Other exchange differences are recognised in profit or loss in the period in which they arise.

l. Interest income

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements and key sources of estimation uncertainty in applying the Company's accounting policies

The following are the critical judgements and key sources of estimation uncertainty that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements. There are no critical judgements.

Minmetals (UK) Limited

Notes to the financial statements (continued)
For the year ended 31 December 2018

2. Critical accounting judgements and key sources of estimation uncertainty (continued)

Investment properties valuation

Investment properties are revalued to fair value at 31 December 2018, based on a valuation prepared by external surveyors Symon Smith & Partners and approved by the Directors on an open market basis. In the Directors' opinion the market value for the existing use was $23,059,493 (2017: $24,635,606). The revaluation deficit of $139,867 (2017 surplus: $37,009) has been incorporated in the financial statements by debiting the revaluation loss in the profit and loss in accordance with FRS 102. The Company does not recognise the fair value changes of owner occupied space. For more details, refer to Note 10.

3. Turnover

	2018 $	2017 $
An analysis of the Group's turnover by class of business is set out below:		
Principal trading in metals, minerals and other commodities	857,163,618	824,899,960
Agency commission on metals, minerals and other commodities	1,500,000	1,541,115
Total related to metals, minerals and other commodities	858,663,618	826,441,075
Property management	962,200	906,753
Total	859,625,818	827,347,828

An analysis of the Group's turnover by geographical market is set out below:

	2018 $	2017 $
United Kingdom	4,186,350	12,934,927
Overseas countries	855,439,468	814,412,901
	859,625,818	827,347,828

The Group has not directly benefited from any forms of government assistance.

4. Finance (costs)/income (net)

	2018 $	2017 $
Interest receivable	654,180	37,828
Interest payable and similar charges	(3,271,638)	(944,548)
Foreign exchange loss	(5,188,324)	(987,910)
	(7,805,782)	(1,894,630)

5. Operating profit

Profit before taxation is stated after charging/(crediting):

	2018 $	2017 $
Depreciation of tangible fixed assets (note 10)	85,620	86,326
Loss/(profit) on disposal of fixed assets	40	(23,058)
Loss/(gain) on fair value movement of investment property (note 10)	139,867	(37,009)
Fair value (gain)/loss on derivative (note 19)	(5,866,374)	4,386,206
Cost of stocks recognised as an expense	846,587,099	819,473,895

6. Auditors' remuneration

Service provided by the Group and Company's auditors and network firms
During the year the Group and Company obtained the following services from the Company's external auditors at costs as detailed below:

	2018 $	2017 $
Audit of the Group and Company's financial statements	85,670	83,260
Tax advisory and compliance services	26,162	24,602
	111,832	107,862

Fees for 2017 were paid to Deloitte LLP, the predecessor auditors.

7. Staff numbers and costs

The average monthly number of employees (including executive directors) was:

	2018 Number	2017 Number
Sales	6	8
Administration	8	8
	14	16

Their aggregate remuneration comprised:

	2018 $	2017 $
Wages and salaries	2,625,258	3,111,194
Social security costs	228,643	409,177
	2,853,901	3,520,371

8. Directors' remuneration and transactions

	2018 $	2017 $
Directors' remuneration:		
Remuneration	1,830,837	1,831,575
Remuneration of the highest paid director:		
Emoluments (including benefits in kind)	620,658	590,496

9. Tax on profit

The tax charge/(credit) comprises in accordance to the FRS102:

	2018 $	2017 $
Current tax on profit		
UK corporation tax	99,653	1,429
Total current tax	99,653	1,429
Deferred tax		
Origination and reversal of timing differences	305,190	(72,293)
Adjustment in respect of previous periods	(28,534)	-
Effect of changes in tax rates	(33,209)	8,440
Total deferred tax	243,447	(63,853)
Total tax charge/(credit) on profit	343,100	(62,424)

Notes to the financial statements (continued)
For the year ended 31 December 2018

9. Tax on profit (continued)

The charge/(credit) for the year can be reconciled to the profit per the profit and loss account as follows:

The standard rate of tax applied to reported profit is 19% (2017: 19.25%). The applicable tax rate has changed following the substantive enactment of the Finance Act 2016.

Finance Act No.2 2015, which was substantively enacted on 26 October 2015, included provisions to reduce the rate of corporation tax to 19% with effect from 1 April 2017. In addition, Finance Act 2016 include provisions to reduce the rate of corporation tax to 17% with effect from 1 April 2020. Accordingly these rates have been applied when calculating deferred tax assets and liabilities as at 31 December 2018.

The difference between the total tax charge/(credit) shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2018 $	2017 $
Group profit before tax	1,405,224	575,754
Tax on profit at standard UK corporation tax rate of 19% (2017: 19.25%)	266,993	110,812
Effects of:		
- Expenses not deductible for tax purposes	45,152	58,335
- Income not taxable	-	(40,029)
- Losses utilised	(129,015)	(241,440)
- Trading loss foregone	221,715	-
- Adjustments from previous periods	(28,534)	1,429
- Tax rate changes	(33,211)	8,440
- Deferred tax on revaluation gain	-	40,029
Total tax charge/(credit) for the year	343,100	(62,424)

Group and Company

A deferred tax asset has not been recognised in respect of timing differences relating to tax losses and accelerated capital allowances of the Group as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is $320,978 (2017: $483,774) in relation to trading losses, non-trading deficit and accelerated capital allowances and $10,523 (2017: $12,093) in relation to capital losses. The asset in relation to trading losses, non-trading deficit and accelerated capital allowances would be recovered if sufficient taxable profits were made in future periods, against which this asset could be offset. The asset in relation to capital losses would be recovered if sufficient capital gains were made in future periods, against which this asset could be offset.

Notes to the financial statements (continued)
For the year ended 31 December 2018

10. Tangible assets

Group	Investment properties $	Motor vehicles $	Computer equipment $	Fixtures, fittings and equipment, leasehold improvement $	Land and buildings $	Total $
Cost:						
At 1 January 2018	24,635,606	-	95,197	393,893	1,968,172	**27,092,868**
Additions	-	-	3,374	83,973	-	**87,347**
Disposals	-	-	-	(2,043)	-	**(2,043)**
Revaluation	(139,867)	-	-	-	-	**(139,867)**
Exchange differences	(1,436,246)	-	(1,552)	(18,995)	(115,227)	**(1,572,020)**
At 31 December 2018	23,059,493	-	97,019	456,828	1,852,945	**25,466,285**
Accumulated depreciation:						
At 1 January 2018	-	-	87,834	367,259	246,845	**701,938**
Charge for the year	-	-	4,428	20,466	60,726	**85,620**
Disposals	-	-	-	(2,003)	-	**(2,003)**
Exchange differences	-	-	(1,369)	(15,430)	(17,079)	**(33,878)**
At 31 December 2018	-	-	90,893	370,292	290,492	**751,677**
Net book value:						
At 31 December 2018	23,059,493	-	6,126	86,536	1,562,453	**24,714,608**
At 31 December 2017	24,635,606	-	7,363	26,634	1,721,327	**26,390,930**

Notes to the financial statements (continued)
For the year ended 31 December 2018

10. Tangible assets (continued)

Company	Motor vehicles $	Fixtures, fittings and equipment, leasehold improvement $	Computer equipment $	Total $
Cost:				
At 1 January 2018	-	129,126	68,683	**197,809**
Additions	-	1,172	3,374	**4,546**
Disposals	-	-	-	**-**
At 31 December 2018	-	130,298	72,057	**202,355**
Accumulated depreciation:				
At 1 January 2018	-	109,451	66,083	**175,534**
Charge for the year	-	10,670	2,221	**12,891**
Disposals	-	-	-	**-**
At 31 December 2018	-	120,121	68,304	**188,425**
Net book value:				
At 31 December 2018	-	10,177	3,753	**13,930**
At 31 December 2017	-	19,675	2,600	**22,275**

10. Tangible assets (continued)

Investment properties

Investment properties were revalued to fair value at 31 December 2018 based on a valuation prepared by Symon Smith & Partners and approved by the Directors. The Directors confirmed Symon Smith & Partners is independent to the Company with recent experience in the location and class of the investment property being valued. Symon Smith & Partners is an Estate Agents, Property Managers and are also Property Surveyors, regulated by Financial Conduct Authority. The method of determining fair value was on an open market basis and significant assumptions applied were as follows: 1>, a willing seller; 2>, that, prior to the date of valuation, there had been a reasonable period, for the proper marketing of the interest, for the agreement of the price and terms and for the completion of the sale; 3>, that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation; 4>, that no account is taken of any additional bid by a prospective purchaser with a special interest; and 5>, that both parties to the transaction had acted knowledgeably, prudently and without compulsion. There are no restrictions on the realisability of investment property.

In the Directors' opinion the market value for the existing use was $23,059,493 (2017: $24,635,606). The revaluation deficit was $139,867 (2017 surplus: $37,009) which is presented in revaluation loss in the profit and loss account rather than in revaluation reserves in the balance sheet account in accordance with FRS 102. All other fixed assets are value at historical cost on FRS 102 transition date. Owner occupied space is included as land and Buildings in line with the accounting policies.

As set out in note 3, property rental income earned during the year was $962,200 (2017: $906,753). No contingent rents have been recognised as income in the current or prior year.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease receipts:

	2018 $	2017 $
Within one year	602,943	550,936
In the second year to third years inclusive	610,808	445,945
After three years	166,045	179,801
	1,379,796	1,176,682

The Group is additionally contractually obliged to carry out annual repairs and maintenance in respect of investment property, which in the current year amounted to $164,843 (2017: $232,703).

11. Investments

Company	**$**
Shares in subsidiary company at cost and net book value:	
At 1 January 2018 and at 31 December 2018	2

The Company owns 100% of the ordinary shares in Minmetals Iron & Steel UK Limited, a property management company incorporated in the United Kingdom. The address of the registered office is Mimet House, 5A Praed Street, London, W2 1NJ, England, United Kingdom.

Notes to the financial statements (continued)
For the year ended 31 December 2018

12. Stocks

	Group 2018	Group 2017	Company 2018	Company 2017
	$	$	$	$
Finished goods and goods for resale	106,667,446	44,434,228	106,667,446	44,434,228
	106,667,446	44,434,228	106,667,446	44,434,228

There is no material difference between the carrying value and replacement cost.

13. Debtors

	Group 2018	Group 2017	Company 2018	Company 2017
	$	$	$	$
Amounts falling due within one year:				
Trade debtors	5,667,510	13,346,468	5,620,066	13,346,468
Amounts owed by group undertakings	76,616,627	171,451,167	76,638,524	171,451,167
LME contracts	1,363,685	-	1,363,685	-
Other debtors	19,097	19,942	19,097	19,942
Prepayments and accrued income	5,307,793	5,631,401	5,258,851	5,579,671
	88,974,712	190,448,978	88,900,223	190,397,248

The Company has LME contracts to hedge its exposure to changes in metal price arising on purchase and sales activities. As at 31 December 2018 the Group and the Company had LME contract assets of $1,363,685 (2017: $Nil). See notes 18 and 19 for details.

Intercompany balances are non-interest bearing and repayable on demand.

14. Creditors: amounts falling due within one year

	Group 2018 $	Group 2017 $	Company 2018 $	Company 2017 $
Short-term loan	141,396,043	100,381,537	141,396,043	100,381,537
Trade creditors	31,835,320	10,047,335	31,620,284	9,847,232
Amounts owed to group undertakings	9,766,932	108,896,789	8,291,947	106,809,760
LME contracts	-	4,502,689	-	4,502,689
Other creditors	10,807	156,160	8,434	80,943
Taxation and social security	125,175	-	-	-
Corporation tax	99,653	-	99,653	-
Accruals and deferred income	410,697	464,371	167,883	249,745
	183,644,627	224,448,881	181,584,244	221,871,906

Short-term loans were loan facility provided by the banks for metals trading. Interest is payable on six months bank loan at a variable rate of LIBOR plus 0.80% on the principal amount.

The Company has LME contracts to hedge its exposure to changes in metal price arising on purchase and sales activities. As at 31 December 2018 the Group and the Company's LME contract liability is $ Nil (2017: $4,502,689). See notes 18 and 19 for details.

Intercompany balances are non-interest bearing and repayable on demand.

15. Provisions for liabilities

Group	Deferred taxation $	Total $
At 1 January 2018	2,661,479	2,661,479
Charged to profit and loss account	243,447	243,447
Foreign exchange differences	(166,454)	(166,454)
At 31 December 2018	2,738,472	2,738,472

Company	Deferred taxation $	Total $
At 1 January 2018	5,868	5,868
Charged to profit and loss account	(5,868)	(5,868)
At 31 December 2018	-	-

15. Provisions for liabilities (continued)

Deferred tax

Deferred tax is provided as follows:

	2018	2017
	$	$
Group		
Other timing differences	2,738,472	2,661,479
Provision for deferred tax	2,738,472	2,661,479
Company		
Other timing differences	-	5,868
Provision for deferred tax	-	5,868

The deferred tax liability relates to a GAAP transition adjustment that is taxable over a 10 year period.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to do so and where the assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity or another entity within the entity.

16. Called up share capital and reserves

	Group		Company	
	2018	2017	2018	2017
	$	$	$	$
Allotted, called up and fully paid				
9,306,708 (2007: 9,306,708) ordinary shares of £1 each	13,813,724	13,813,724	13,813,724	13,813,724

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

Group

	2018	2017
	$	$
Revaluation reserve	9,459,648	10,047,905

Revaluation reserve represents unrealised profit on the re-measurement of investment properties prior to the FRS 102 transition date. The movement in revaluation reserve is due to exchange differences arising on translation of foreign currency operations.

Notes to the financial statements (continued)
For the year ended 31 December 2018

17. Notes to the cash flow statement

Reconciliation of operating profit to cash used in operations:

	2018	2017
	$	$
Operating profit	9,211,006	2,470,384
Decrease/(Increase) in fair value of investment property	139,867	(37,009)
Depreciation	85,620	86,326
Loss/(Profit) on sale of tangible fixed assets	40	(23,058)
Operating cash flow before movement in working capital	9,436,533	2,496,643
Increase in stocks	(62,233,218)	(25,144,786)
Decrease/(Increase) in debtors	96,285,942	(97,583,018)
(Decrease)/Increase in creditors	(81,918,413)	18,534,566
Increase in provisions	-	169,256
Cash used in operations	(38,429,156)	(101,527,339)

18. Financial instruments

The carrying values of the Group and Company's financial assets and liabilities held at fair value are summarised by category below:

	2018	2017
	$	$
Financial assets under LME contracts		
Financial assets at fair value		
Measured at fair value		
Derivative financial assets (see note 19)	1,363,685	-
	1,363,685	-
Financial liabilities under LME contracts and FX derivative contracts		
Measured at fair value		
Derivative financial liabilities (see note 19)	-	(4,502,689)
	-	(4,502,689)

The Company's income, expense, gains and losses in respect of financial instruments are summarised below:

	2018	2017
	$	$
Fair value gains and losses		
On financial assets measured at fair value through profit or loss	5,866,374	(5,786,728)
Impairment losses	-	-

Notes to the financial statements (continued)
For the year ended 31 December 2018

19. Derivative financial instruments

	Current		Non-current	
	2018	2017	2018	2017
Group and Company	$	$	$	$
Derivatives that are carried at fair value				
Assets				
Forward LME contracts	1,363,685	-	-	-
	1,363,685	-	-	-
Liabilities				
Forward LME contracts	-	(4,502,689)	-	-
	-	(4,502,689)	-	-

Forward LME contracts are valued at the present value of future market price estimated.

Forward LME contracts

The following table details the forward LME contracts outstanding as at the year-end:

Outstanding contracts	Notional value		Fair value	
	2018	2017	2018	2017
	$	$	$	$
Purchase non-ferrous metals				
Less than 1 year	105,392,775	82,932,114	(325,829)	1,945,212
	105,392,775	82,932,114	(325,829)	1,945,212
Sell non-ferrous metals				
Less than 1 year	(106,756,460)	(90,676,556)	1,689,514	(6,447,901)
	(106,756,460)	(90,676,556)	1,689,514	(6,447,901)

The Company has entered into forward contracts with London Metal Exchange via brokers to buy or sell non-ferrous metals to hedge the price risk arising from these transactions.

Gain of $5,866,374 (2017: losses of $4,386,206) were recognised in profit or loss.

Notes to the financial statements (continued)
For the year ended 31 December 2018

20. Other operating income

The operating income amounting $497,174 (2017: $12,093) is related to debt waived by a fellow group undertaking Minmetals Germany.

21. Related party transactions

As the Company is a wholly-owned subsidiary of China Minmetals H.K. (Holdings) Limited, it is exempt under Financial Reporting Standard 102 paragraph 33-1A from the requirement to disclose related party transactions with fellow group entities.

Other related party transactions

The total remuneration for key management personnel for the year totalled $1,830,837 (2017: $1,831,575), being remuneration disclosed in note 8.

22. Ultimate parent company and controlling entity

The immediate parent company is China Minmetals H.K (Hodings) Limited and ultimate parent company and controlling entity is China Minmetals Corporation Limited, a company incorporated in the People's Republic of China. China Minmetals Corporation Limited is the parent undertaking of the largest and smallest group which includes the company for which group financial statements are prepared. Copies of the report and financial statements are available from Tower A Minmetals Plaza, No. 3 Chao Yangmen North Avenue, Dongcheng District, Beijing, The People's Republic of China, 100010, being the address of the registered office of the company.

The ultimate parent company is in turn wholly-owned by the government of the People's Republic of China.