

Element Six Abrasives Holdings Limited

**Annual Report and Financial Statements
Year Ended 31 December 2021**

Company Registration Number: 07359523

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DIRECTORS AND OTHER INFORMATION**Board of Directors**

B Cleaver
W Hühn
E Brijs
S Kuijlaars
F Platteeuw
T Jansseune
R Lawson (appointed 11 October 2021)
E Leathers (appointed 13 April 2022)
A Cormack (resigned 31st March 2021)
A Guthrie (resigned 12th October 2021)

Secretary and Registered Office

Thomas Johnson
Element Six Abrasives Holdings Limited
17 Charterhouse Street
London
EC1N 6RA
United Kingdom

Element Six Abrasives Holdings Limited is a private limited Company registered in the United Kingdom.

Registered Number: 07359523

Bankers

BNP Paribas
10 Harewood Avenue
London
NW1 6AA
United Kingdom

Independent Auditors

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH
United Kingdom

STRATEGIC REPORT

The directors present their strategic report on Element Six Abrasives Holdings Limited (the "Company") for the year ended 31 December 2021.

Business Review and principal activities

The principal activity of the Company is that of a holding company, in any form whatsoever, in other UK or foreign companies, and the control and the management as well as the development of these investments which are mainly involved in the manufacture and sale of industrial diamond and related products.

Principal Risks and Uncertainties

The Company acts as a holding company. Its primary source of income is dividends from subsidiaries. Principal risks and uncertainties arise from the reliance on its subsidiaries generating sufficient distributable reserves from trading to provide dividend income.

The directors will continue to monitor and manage the Company's exposure to risk and are satisfied that current strategies in place will continue to reduce the exposures to risk.

Results

The loss for the financial year is \$4,765,336 (2020 loss: \$1,615,518).

Revenue is mainly as a result of dividends received from subsidiary companies. No dividends were received during the year. (2020: \$3,799,976)

S172 Statement

Element Six Holdings Limited own 59.78% of shares in Element Six Abrasives Holdings Limited. Element Six Holdings is 100% owned by De Beers plc. The remaining 40.22% is held by Umicore International SA.

Element Six Abrasives Holdings Limited is a holding Company and does not have any employees other than its directors. Directors are remunerated through other Group companies. The Company does not have direct suppliers or customers and its operations does not impact on the community or environment. The directors ensure the Company maintains a reputation for high standards of business conduct and acts fairly between members of the Company.

Financial Position

The net assets as at 31 December 2021 were \$91,519,608 (2020: \$101,284,944).

Financial Risk Management Objectives and Policies

Element Six Abrasives Holdings is the Holding Company for the Element Six Abrasives Group (the "Group") and the operations of the Element Six Abrasives Group 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 that seeks to manage the financial exposures of all Group companies by monitoring levels of debt finance and the related finance costs. The Group uses derivative financial instruments to mitigate certain currency risk exposures.

Currency risk

Management has set up a policy to require the Company to manage its foreign exchange risk against its functional currency through group treasury. To manage its foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, the Group uses forward contracts, transacted by Group Treasury.

Investments risk

The main investment risk is that the subsidiary will not perform as expected and thus the company will have to bear a resulting impairment of the investment.

STRATEGIC REPORT - continued**Financial Risk Management Objectives and Policies – continued***Interest rate risk*

The Company has no significant interest-bearing assets or liabilities apart from intercompany balances. Amounts owed by Group undertakings falling due within one year are interest free. The amounts owed to group undertakings reflect an amount owed to Element Six Abrasives Treasury Limited which is interest bearing. Interest is payable at a margin of 2.25% plus 3-month USD Libor.

Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. Receivable balances are closely monitored and reviewed at least monthly. The majority of the Company's debtors are intercompany with the remainder being VAT refunds. Monthly management accounts are used to monitor and manage debt levels. Intercompany balances are regularly cleared.

Liquidity risk

Liquidity risk is managed through a regular review of cash flow forecasts and an increased focus on working capital efficiency. The primary source of guaranteed liquidity is a \$225m syndicated revolving credit facility, held jointly by the Company and other Group companies. This facility is due to mature in June 2025. The Group will re-assess its banking facilities in advance of this date.

KPIs

Element Six Abrasives Holdings Limited's directors' KPIs include maximising profitability of the Company together with determining the dividend policy to ensure shareholders' interests are met. The Company's loss for the financial year was \$4,765,336 (2020 loss: \$1,615,518). The directors also ensure risks both financial and non-financial are managed and minimised.

Future developments


The directors expect the general level of activity to remain consistent with 2021.

Events after the balance sheet date

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

Approval

Approved by the Board and signed on its behalf by:



Erica Leathers
13 April 2022



W Hühn
13 April 2022

DIRECTORS' REPORT

The directors present their report and the audited financial statements of Element Six Abrasives Holdings Limited (the "Company") for the year ended 31 December 2021.

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;

Energy and Carbon Reporting

The Company is a holding Company and therefore does not generate carbon dioxide emissions and does not consume electricity during the year.

Going concern

Element Six Abrasives Holdings Limited net assets as at 31 December 2021 is \$91,519,608. The Company is a member of a USD 225m Revolving Credit Facility which is a committed facility by five lenders maturing in June 2025. Also, as a holding Company which holds a number of investments in subsidiaries, the Company has the ability to obtain dividends if required from them to meet its debts as they fall due.

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 Group by the same level of decline seen from 2019 to 2020, where the Group was impacted by a global economic downturn due to the Covid-19 pandemic, as well as the oil and gas price war between Russia and Saudi Arabia. In this downside scenario, no covenants would be breached, and the Group's liquidity is sufficient to absorb the financial impact of the sensitivity analysis for a period of at least 12 months from the day of issuance of the financial statements.

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

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

B Cleaver

W Hühn

E Brijs

S Kuijlaars

F Platteeuw

T Jansseune

R Lawson (appointed 11 October 2021)

DIRECTORS' REPORT – continued**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 these financial statements.

Results and dividends

The Company's loss for the financial year was \$4,765,336 (2020 loss: \$1,615,518). A dividend of \$5,000,000 (2020: \$5,000,00) was proposed and paid in the year of which \$2,988,921 (59.78%) was paid to Element Six Holdings Limited and \$2,011,079 (40.22%) was paid to Umicore International SA.

Subsidiary undertakings

The Company has availed of the exemption under Section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements. Consequently, these financial statements deal with the results of the Company as a single entity only. The disclosures required under Part 1 and 2 of Schedule 4 to S1 2008/410, in respect of subsidiary undertakings, are provided in note 10 to the financial statements.

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 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/she ought to have taken as a director in order to make himself/herself 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.

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

Approved by the Board and signed on its behalf by:


Erica Leathers
13 April 2022


W. Hühn
13 April 2022

DIRECTORS' RESPONSIBILITIES STATEMENT

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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 year. 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 company will continue in business.

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

The directors are responsible for 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 ABRASIVES HOLDINGS LIMITED**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS****OPINION**

In our opinion, Element Six Abrasives Holdings Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss 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 Balance Sheet as at 31 December 2021; the Profit and Loss Account 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 ABRASIVES HOLDINGS 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 2021 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 Directors' Responsibilities Statement, 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ELEMENT SIX ABRASIVES HOLDINGS LIMITED – CONTINUED

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the failure to comply with the Corporation Tax Act 2010, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. 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 significant or unusual transactions outside the normal course of business and management bias in making significant accounting judgements and estimates. Audit procedures performed by the engagement team included:

- Enquiry of management 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, including any journal entries posted with unusual account combinations, unusual words and by unexpected users; and
- Challenging assumptions made by management in its significant accounting estimates, in particular in relation to the carrying value of investments in subsidiaries.

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. 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
14 April 2022

PROFIT AND LOSS ACCOUNT
Year Ended 31 December 2021

	Note	2021 \$	2020 \$
Income from shares in Group undertakings	3	-	3,799,976
Gross Profit		-	3,799,976
Administrative expenses		(353,640)	(3,703,102)
Other operating income		384,446	22,883
Operating profit		30,806	119,757
Finance Costs	6	(4,796,142)	(1,735,275)
Loss before taxation	7	(4,765,336)	(1,615,518)
Tax on (loss)	8	-	-
Loss for the financial year		<u>(4,765,336)</u>	<u>(1,615,518)</u>

All amounts above relate to continuing operations.

For the year ended 31 December 2021, the Company had no other income or expense other than those reflected in the profit and loss above, therefore, no separate statement of comprehensive income is presented.

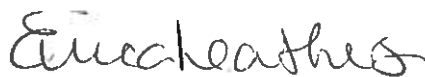
The notes on pages 14 to 23 form an integral part of these financial statements.

BALANCE SHEET
At 31 December 2021

	Note	2021 \$	2020 \$
Fixed Assets			
Shares in group undertakings	10	160,601,237	160,883,023
		<u>160,601,237</u>	<u>160,883,023</u>
Current assets			
Debtors	11	307,498	364,421
Cash at bank and in hand		121	75
		<u>307,619</u>	<u>364,496</u>
Creditors - amounts falling due within one year	12	<u>(69,389,248)</u>	<u>(59,962,575)</u>
Net current liabilities		<u>(69,081,629)</u>	<u>(59,598,079)</u>
Total Assets Less Current Liabilities		<u>91,519,608</u>	<u>101,284,944</u>
Capital and reserves			
Called up share capital	13	72,029,720	72,029,720
Profit and loss account		<u>19,489,888</u>	<u>29,255,224</u>
Total Shareholders' funds		<u>91,519,608</u>	<u>101,284,944</u>

The notes on pages 14 to 23 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 13 April 2022 and signed on its behalf by:



Erica Leathers
Director
Element Six Abrasives Holdings Limited
Registered Number: 07359523



W Hühn
Director
Element Six Abrasives Holdings Limited
Registered Number: 07359523

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

	Share Capital	Retained Earnings	Total
	\$	\$	\$
As at 1 January 2021	72,029,720	29,255,224	101,284,944
Loss for the year and total comprehensive expense	-	(4,765,336)	(4,765,336)
Dividend paid	-	(5,000,000)	(5,000,000)
As at 31 December 2021	72,029,720	19,489,888	91,519,608

	Share Capital	Retained Earnings	Total
	\$	\$	\$
As at 1 January 2020	72,029,720	35,870,742	107,900,462
Loss for the year and total comprehensive expense	-	(1,615,518)	(1,615,518)
Dividend paid	-	(5,000,000)	(5,000,000)
As at 31 December 2020	72,029,720	29,255,224	101,284,944

The notes on pages 14 to 23 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

General information

The address of the registered office is given on page 2.

Basis of preparation

Element Six Abrasives Holdings Limited (the Company) is a private Company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England.

Element Six Abrasives Holdings Limited is owned by Element Six Holdings Limited (59.78%) and by Umicore International SA (40.22%). The ultimate owners of Element Six Holdings Limited are De Beers plc, who in turn are owned by Anglo American plc (85%) and the Government of the Republic of Botswana (15%). The ultimate owner of Umicore International SA is Umicore SA, a Belgian Quoted Company.

The financial statements have been prepared in accordance with the Companies Act 2006 under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

Accounting policies have been applied consistently with the prior year.

The functional currency of the Company is considered to be U.S. Dollars because that is the currency of the primary economic environment in which the Company operates.

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available (refer to note 15 and note 16) to it in respect of its separate financial statements. The Company is consolidated in the financial statements of its ultimate parent, Anglo American plc. The Group financial statements of Anglo American plc are available to the public and can be obtained from the Company Secretary of Anglo American plc, 17 Charterhouse Street, London EC1N 6RA, United Kingdom or the Anglo American plc website.

Going Concern

Element Six Abrasives Holdings Limited net assets as at 31 December 2021 is \$91,519,608. The Company is a member of a USD 225m Revolving Credit Facility which is a committed facility by five lenders maturing in June 2025. Also, as a holding Company which holds a number of investments in subsidiaries, the Company has the ability to obtain dividends if required from them to meet its debts as they fall due.

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 Group by the same level of decline seen from 2019 to 2020, where the Group was impacted by a global economic downturn due to the Covid-19 pandemic, as well as the oil and gas price war between Russia and Saudi Arabia. In this downside scenario, no covenants would be breached, and the Group's liquidity is sufficient to absorb the financial impact of the sensitivity analysis for a period of at least 12 months from the day of issuance of the financial statements.

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.

Fixed asset investments

Investments in subsidiaries and associates are measured at cost less impairment.

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies - continued

Impairment of assets

Assets 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. For fixed asset investments 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.

Current Debtors

Debtors are initially recognised at transaction price.

At the end of each reporting period Trade Debtors are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows. The impairment loss is recognised in profit or loss.

Creditors

Creditors are recorded at transaction price, and subsequently recorded at amortised cost.

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 the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Dividend Income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Company and the amount is measured reliably)

Foreign currency translation

The financial statements of the Company are expressed in U.S. dollars ("USD"). Transactions in foreign currencies are translated into USD at the rates of exchange which approximate the effective rates prevailing on the dates of the transactions.

Cash at the bank is translated at the exchange rate effective at the balance sheet date. Exchange losses and gains (both realised and unrealised) are recorded in the profit and loss account of the year. The realised exchange losses and realised exchange gains are reflected in the profit and loss account at the moment of their realisation.

Other assets and liabilities denominated in foreign currencies are translated separately into USD at the year end at the historical exchange rate or the exchange rates effective at the balance sheet date for monetary assets and liabilities. Any unrealised exchange losses are recorded in the profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies - continued

Financial Instruments

Financial instruments are recognised and measured under IFRS 9. The Company classifies its financial instruments at amortised cost. Financial assets or liabilities at amortised cost are held to collect the contractual cash flows and the payments are solely payments of principal and interest. These financial instruments are non-derivative with fixed or determinable payments that are not quoted in an active market. They are included in current assets or current liabilities, except for items with maturities of greater than 12 months after the balance sheet date. These are classified as non-current assets or liabilities.

Finance Costs

Finance costs are recognised in the profit and loss in the year to which they relate.

Dividend Distribution

Ordinary and preferential dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the company's shareholders.

The preferential dividends are classified as a financial liability and a charge for the year is recognised in finance costs.

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 balance sheet.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Consolidation

The financial statements relate to the results of Element Six Abrasives Holdings Limited as an individual company and do not contain consolidated financial information as the parent of a Group. The Company is exempt under Section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertaking are included by full consolidation in the consolidated financial statements of its ultimate parent.

2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the entity's accounting policies, which are described in note 1, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make 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 year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future periods.

NOTES TO THE FINANCIAL STATEMENTS

2 Critical accounting judgements and key sources of estimation uncertainty - continued

Critical judgements in applying the Company's accounting policies

The directors have reviewed the carrying value of the Company's investments and are satisfied the carrying value is appropriate. Other than this there are no critical judgements or estimates that the directors have made in the process of applying the Company's accounting policies in the financial statements that have a significant effect in the current or prior financial years or a significant risk of causing material adjustments to the carrying value of assets and liabilities within the next financial year.

3 Dividend Income	2021	2020
	\$	\$
Element Six SA	-	433,638
Element Six (Production) Limited	-	3,366,338
	<u>-</u>	<u>3,799,976</u>

4 Employees

Other than the seven directors listed, the Company does not have any employees.

5 Directors' remuneration and transactions

The Directors' remuneration and transactions were paid by other companies within the Group. \$nil amounts (2020: \$nil) are notionally allocated in relation to qualifying services.

6 Finance Costs	2021	2020
	\$	\$
Preference Dividend	3,324,939	-
Intercompany interest payable	1,471,203	1,735,275
	<u>4,796,142</u>	<u>1,735,275</u>

During the year, Element Six Holdings Limited became entitled to a preferential dividend payable by Element Six Holdings Abrasives equal to 15% of recurring net annual earnings above \$20m, payable after approval of the accounts. Recurring net annual earnings is calculated as profit after tax excluding restructuring costs, unrealised movement in market-to-market foreign exchange derivatives and other exceptional one-off items subject to agreement between both Shareholders.

7 Loss before taxation	2021	2020
	\$	\$
Loss before taxation is stated after charging:		
Impairment of subsidiary undertaking (note 10)	281,786	3,302,185
Disposal of investment (note 10)	-	579,036
Restructuring costs	<u>(366,081)</u>	<u>19,161</u>

Auditor's remuneration is borne by a fellow group company and \$ nil (2020: \$nil) amounts were notionally allocated.

NOTES TO THE FINANCIAL STATEMENTS

8 Taxation on loss	2021	2020
	\$	\$
Current tax:		
UK corporation tax on profit for the year	-	-
Adjustments in respect of previous years	-	-
Total current tax charge/(credit)	<u>-</u>	<u>-</u>

The tax assessed on the result for the year 2021 differs from that which would result from applying the standard effective rate of corporation tax in the UK of 19.00% (2020: 19.00%) to the (loss) / profit. The differences are explained below:

	2021	2020
	\$	\$
Loss before taxation	<u>(4,765,336)</u>	<u>(1,615,518)</u>
Loss multiplied by standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	(905,414)	(306,948)
Income not subject to corporation tax	(69,147)	(721,995)
Expenses not subject to corporation tax	685,655	699,160
Group relief surrendered for nil consideration	-	-
Losses available for carry forward	<u>288,906</u>	<u>329,783</u>
Total tax charge/(credit) for the year	<u>-</u>	<u>-</u>

Unused losses surrendered to Element Six (UK) Limited during the year amounted to \$Nil.

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 2021. Deferred tax has been measured at the rate it is expected to reverse. However please note that we have not recognised any deferred tax on losses for this entity.

9 Dividend	2021	2020
	\$	\$
Interim dividend for year ended 31 December	<u>5,000,000</u>	<u>5,000,000</u>
	<u>5,000,000</u>	<u>5,000,000</u>

The Company paid an interim dividend of \$5,000,000 of which \$2,988,921 (59.78%) was paid to Element Six Holdings Limited and \$2,011,079 (40.22%) was paid to Umicore International SA on the 04th November 2021.

NOTES TO THE FINANCIAL STATEMENTS

10 Investments in Subsidiaries	2021	2020
	\$	\$
Subsidiary Undertakings		
At 1 January	160,883,023	164,764,244
Disposals (i)	-	(579,036)
Impairments (ii)	(281,786)	(3,302,185)
At 31 December	<u>160,601,237</u>	<u>160,883,023</u>

- i) The liquidation of Element Six (Production) Limited was completed on 08th September 2021. On 08th December 2020, Element Six SA liquidation was finalised and the disposal on the investment held of \$579,036 was recognised.
- ii) In 2021, an impairment of \$281,786 was recognised in Element Six AB. In 2020, an impairment of \$3,302,185 was recognised on liquidation of Element Six (Production) Limited.

NOTES TO THE FINANCIAL STATEMENTS

10 Investments in subsidiaries- continued

Details of undertakings in which Element Six Abrasives Holdings Limited holds a direct or indirect (*) capital interest are as follows:

	Registered Address	Country	Percentage ownership Shares	Type of Shares	Number of Shares Issued	Nominal Value of each Share	Carrying Value 2021
Element Six Limited	Shannon Airport, Co. Clare, Ireland	Ireland	100%	Ordinary	2,050	€1.00	106,102,216
Element Six (Production) Proprietary Limited	Debid Road, Nuffield, Springs, 1559, South Africa	South Africa	100%	Ordinary	8,939,000	ZAR2.00	46,682,136
Element Six (Holdings) Limited	Shannon Airport, Co. Clare, Ireland	Ireland	100%	Ordinary	21,191,786	€1.00	1,694,926
*Element Six Ltda	Rua da Consolação, 368 , 15° andar Consolação, São Paulo, Brazil	Brazil	100%	Ordinary	535,235,765	BRL0.01	-
Element Six (Trade Marks)	Shannon Airport, Co. Clare, Ireland	Ireland	100%	Ordinary A Ordinary B Ordinary	1 2,000 0	€1.27 €1.27 €1.27	2,445
Element Six South Africa (Pty) Limited	Debid Road, Nuffield, Springs, 1559, South Africa	South Africa	100%	Ordinary	1	ZAR2.00	-
Element Six (UK) Limited	Global Innovation Centre, Fermi Avenue, Harwell, Oxford, Didcot, Oxfordshire, OX11 0QR, United Kingdom	United Kingdom	100%	Ordinary	175,000	£1.00	1,556,370
Element Six Limited	9F PMO Hatchobori, 3-22-13 Hatchobori, Chuo-ku, Tokyo, 104, Japan	Japan	100%	Ordinary	1,200	JPY100,000.00	1

NOTES TO THE FINANCIAL STATEMENTS

	Registered Address	Country	Percentage ownership Shares	Type of Shares	Number of Shares Issued	Nominal Value of each Share	Carrying Value 2021
Element Six Abrasives Treasury Limited	Shannon Airport, Co. Clare, Ireland	Ireland	100%	Ordinary A Ordinary B Ordinary Preference	1,501 0 0 0	€1.27 €1.27 €1.27 €1.27	\$ 1
Element Six AB	c/o Advokatbyrån Kaiding Box 385 931 24 Skellefteå Sweden	Sweden	100%	Ordinary	200,000	SEK100.00	4,563,142
*Element Trading (Shanghai) Co. Limited	Room 807, Floor 8 No 390-408 East Beijing Road, Huangpu District Shanghai China	China	100%	-	-	-	-
*Element GmbH	Staedeweg 18, 36151, Berghaun, Germany	Germany	100%	Ordinary	1	€25,564.59	-
*Element Six US Corporation	24900 Pitkin Road, Suite 250 Spring TX 77386, USA	United States	100%	Common Stock	112	No par value	-
*UJPU Manufacturing Proprietary Limited	Debid Road, Nuffield, Springs, 1559, South Africa	South Africa	100%	-	-	-	-
							160,601,237

NOTES TO THE FINANCIAL STATEMENTS

11 Debtors	2021	2020
	\$	\$
Amounts owed by group undertakings	297,625	352,309
VAT	9,873	9,940
Other debtors	-	2,172
	<u>307,498</u>	<u>364,421</u>

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

12 Creditors - Amounts falling due within one year	2021	2020
	\$	\$
Trade creditors	52,696	52,458
Amounts owed to group undertakings	69,336,552	59,910,117
	<u>69,389,248</u>	<u>59,962,575</u>

The amounts owed to group undertakings reflect an amount owed to Element Six Abrasives Treasury Limited of \$66,007,469 (2019: \$59,910,117), which is interest bearing. Interest is payable at a margin of 2.25% plus 3 month USD Libor. The loan can be cancelled with 30 days-notice.

13 Called up Share capital	2021	2020
	\$	\$
Authorised:		
Opening	72,029,720	72,029,720
Closing (7,202,972 (2020: 7,202,972) ordinary shares of \$10 each)	<u>72,029,720</u>	<u>72,029,720</u>
Allotted, called up and fully paid:		
7,202,972 (2020: 7,202,972) ordinary shares of \$10 each	<u>72,029,720</u>	<u>72,029,720</u>

14 Controlling Party

59.78% of the shares in Element Six Abrasives Holdings Limited are held by Element Six Holdings Limited. Element Six Holdings Limited is 100% owned by De Beers plc which is registered in Jersey, and De Beers plc is ultimately owned by Anglo American plc (85%), and the Government of the Republic of Botswana (15%).

The remaining 40.22% is held by Umicore International SA. The ultimate owner of Umicore International SA is Umicore SA, a Belgian Quoted Company.

The parent Company of the smallest group of undertakings of which the Company is a member and in whose consolidated financial statements the Company is included in is DeBeers plc.

The parent of the largest group in whose consolidated financial statements the Company is included in is Anglo American plc.

NOTES TO THE FINANCIAL STATEMENTS

15 Cash flow statement

The Company has availed of the exemption contained in FRS 102 "Statement of Cash Flows" which states the Company does not have to present a cash flow statement. Anglo American plc prepare publicly available consolidated statements which are intended to give a true and fair view (of the assets, liabilities, financial position and profit or loss). The Group financial statements of Anglo American plc can be obtained from the Company Secretary of Anglo American plc, 17 Charterhouse Street, London EC1 6RA, United Kingdom or the Anglo American plc website.

16 Related party transactions

The Company has availed of the exemption contained in FRS 102 "Related Party Disclosures" in respect of subsidiary undertakings, 100% of whose voting rights are controlled within a group. Consequently, the financial statements do not contain disclosure of transactions with entities 100% owned in the Element Six Abrasives Holdings group.

	2021	2020
	\$	\$
Finance Costs	3,324,939	-
	<u>3,324,939</u>	<u>-</u>

	2021	2020
	\$	\$
Amount owed to Element Six Holdings Limited	3,324,939	-
	<u>3,324,939</u>	<u>-</u>

In 2021, a Preference Dividend arrangement between Element Six Holdings Limited and Element Six Abrasives Holdings Limited was accrued & will be paid to Element Six Holdings Limited in 2022.

	2021	2020
	\$	\$
Dividend Paid	5,000,000	5,000,000
	<u>5,000,000</u>	<u>5,000,000</u>

The company paid an interim dividend of \$5,000,000 of which \$2,988,921 (2020: \$2,988,921) was paid to Element Six Holdings Limited and \$2,011,079 was paid to Umicore International SA (2020: \$2,011,079) on the 04th November 2021.