

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

VESUVIUS UK LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2003



COMPANY NO: 54713

VESUVIUS UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2003

The directors have pleasure in presenting their report and the audited financial statements for the year ended 31 December 2003.

PRINCIPAL ACTIVITY

The principal activity of the company is the manufacture and sale of refractory products. The company services a broad range of industrial markets, the most significant being iron and steel, glass making, cement and aluminium.

BUSINESS REVIEW

The results for the year are shown on page 7.

Trading conditions in the first half of 2003 remained lacklustre, however during the latter part of the year a recovery began to take hold in the Steel industry which is the Company's major market. Steel production in the UK increased by 7% over 2002 to 19.5 m tonnes. The other markets which the company serves primarily the Foundry and Industrial product sectors remained stable.

The company continues to focus on introducing new technology to its customers and on providing total process solutions giving greater value in use, in addition to driving further efficiencies from its existing manufacturing base and improving cashflow.

Industry forecasts for Steel production suggest that the recovery seen in 2003 will continue into 2004.

DIVIDENDS

The directors do not recommend payment of a final dividend (2002: £ nil). No interim dividend was declared and paid during the year (2002: £ nil). The retained profit for the year was £6,623,000 (2002: £4,198,000).

VESUVIUS UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2003 (Cont)

DIRECTORS

The directors who held office during the year, were as follows:

J P Malherbe	-	Chairman
J O Anderson	-	Director

The directors do not have an interest in the issued share capital of the company. Directors' interests in other group companies are disclosed in the financial statements of Vesuvius-Premier Refractories (Holdings) Limited.

EMPLOYEES

The company values the contribution that its employees, at all levels, make to the success of the enterprise. The company is very aware of both the commercial and social importance of training its employees and utilises a variety of internal and external facilities to improve the effectiveness with which employees, at all levels, undertake their duties.

The company operates a totally non-discriminatory employment policy, part of which is the proper consideration of all applications for employment from disabled persons. Those who are appointed, together with any who become disabled during employment, receive, with their able-bodied colleagues, training for career development and promotion, consistent with their own abilities and the needs of the group.

It is company policy to ensure that employees are aware of their individual roles and responsibilities. The involvement of employees in the success of the business is encouraged through Total Quality Commitment initiatives and communications emanating from various committees.

Complementing these arrangements are Health and Safety committees, monitoring workplace procedures and practices promoting safety awareness, and contributing to effective responses to the growing body of health and safety legislation.

RESEARCH AND DEVELOPMENT

The company continues to place great emphasis upon, and to invest in, research and product and process development in all its operations.

VESUVIUS UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2003 (Cont)

SUPPLIER PAYMENT POLICY

Terms and conditions under which transactions are conducted with suppliers are agreed before business takes place. It is the company's policy that payments to suppliers are made in accordance with these terms, provided that the supplier is also complying with all relevant terms and conditions.

FIXED ASSETS

In the opinion of the directors there is no material difference between the book and the current open market value of interests in land and buildings.

AUDITORS

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board



A DALEY
Secretary

17th June 2004

Registered Office

2 Midland Way
Barlborough Links
Barlborough
S43 4XA

VESUVIUS UK LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS' OF VESUVIUS UK LIMITED

We have audited the financial statements on pages 7 to 25.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for preparing the directors' report and, as described on page 5, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
KPMG Audit Plc
Chartered Accountants
Registered Auditors

1 The Embankment
Neville Street
Leeds
LS1 4DW

17 JUNE 2004

VESUVIUS UK LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2003

	Note	Continuing Operations 2003	Continuing Operations 2002
		£'000	£'000
Turnover	2	140,821	100,736
Cost of sales – normal		(111,125)	(84,174)
Cost of sales – exceptional	3	(698)	(435)
		<hr/>	<hr/>
Total cost of sales		(111,823)	(84,609)
		<hr/>	<hr/>
Gross Profit		28,998	16,127
Distribution costs		(5,662)	(4,360)
Administrative expenses – normal		(22,663)	(11,324)
Administrative expenses – exceptional	3	(250)	(678)
		<hr/>	<hr/>
Total administrative expenses		(22,913)	(12,002)
		<hr/>	<hr/>
Operating profit		423	(235)
Profit on sale of fixed assets		-	4,110
Loss on liquidation of certain subsidiaries	12	(1,927)	-
Income from shares in group undertakings	12	8,492	-
Other interest receivable and similar income	6	264	153
Interest payable and similar charges	7	(961)	(1,354)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		6,291	2,674
Tax on profit on ordinary activities	8	332	1,524
		<hr/>	<hr/>
Profit on ordinary activities after taxation and retained profit for the year		6,623	4,198
		<hr/>	<hr/>

In the current year the company had no recognised gains or losses other than those included above in the profit and loss account. A statement of movement on reserves is given in note 20.

The notes on pages 10 to 25 form part of these financial statements.

VESUVIUS UK LIMITED

NOTE OF HISTORICAL COST PROFITS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2003

	2003	2002
	£'000	£'000
Reported profit on ordinary activities before taxation	6,291	2,674
Realisation of revaluation gains of previous years	—	1,250
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the re-valued amount	<u>72</u>	<u>16</u>
Historical cost profit on ordinary activities before taxation	<u>6,363</u>	<u>3,940</u>
Historical cost profit for the year retained after taxation and dividends	<u>6,695</u>	<u>5,464</u>

VESUVIUS UK LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2003

	Notes	2003 £'000	2002 £'000
FIXED ASSETS			
Intangible assets	9	31,730	33,514
Tangible assets	10	30,187	31,108
Investment in subsidiary undertakings	12	36,215	37,918
Investments	13	9	9
		<u>98,141</u>	<u>102,549</u>
CURRENT ASSETS			
Stocks	14	12,111	14,096
Debtors	15	43,611	55,615
Cash at bank and in hand		17	11,107
		<u>55,739</u>	<u>80,818</u>
CREDITORS (amounts falling due within one year)	16	(137,510)	(173,017)
NET CURRENT LIABILITIES		<u>(81,771)</u>	<u>(92,199)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		16,370	10,350
PROVISIONS FOR LIABILITIES AND CHARGES	17	(822)	(1,425)
NET ASSETS		<u><u>15,548</u></u>	<u><u>8,925</u></u>
CAPITAL AND RESERVES			
Called up share capital	19	12,000	12,000
Revaluation reserve	20	705	777
Profit and loss account	20	2,843	(3,852)
Equity shareholder's funds	21	<u><u>15,548</u></u>	<u><u>8,925</u></u>

Approved by the board on 17th June 2004 and signed on its behalf by:-


J O Anderson
Director

The notes on pages 10 to 25 form part of these financial statements.

VESUVIUS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2003

1. ACCOUNTING POLICIES

Summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding period except as noted are set out below.

Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention, modified to include the revaluation of certain fixed assets, and on a going concern basis as Cookson Group plc, the ultimate holding company, has undertaken to make available such funds as are required to enable the company to continue its activities while it remains a subsidiary.

Under Financial Reporting Standard 1 (revised) the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking and a Group cash flow statement is included in the financial statements of Cookson Group plc.

Consolidation

In accordance with S228 of the Companies Act 1985 consolidated financial statements are not presented as the company is a wholly owned subsidiary undertaking of Cookson Group Plc, a company registered in England and Wales. These financial statements present information about the company as an individual undertaking and not about its group.

Turnover

Turnover comprises the invoiced value, excluding value added tax, of goods and services supplied to customers including fellow subsidiaries (including royalties receivable).

VESUVIUS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2003 (Cont)

1. ACCOUNTING POLICIES (Cont)

Tangible fixed assets

Tangible fixed assets are stated at cost (or valuation), net of depreciation and provision for permanent diminution in value.

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Buildings	- 25 years
Plant and equipment	- 10 - 15 years
Commercial vehicles	- 5 years
Motor cars	- 4 years

Freehold land is not depreciated.

The company's fixed assets were valued on the basis of open market value for existing use on 15th April 1997. At 6th August 1999 those same fixed assets (excluding subsequent additions and adjusted for disposals) were revalued.

On adoption of FRS 15, the company has followed the transitional provisions to retain the book value of fixed assets, which were revalued in 1999, but not to adopt a policy of revaluation in the future.

These values are retained subject to the requirement to test assets for impairment in accordance with FRS 11.

Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

The company also participates in a group wide pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. The company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement Benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Research and Development

All expenditure except that incurred on buildings and plant is charged against income as it is incurred.

Patents and Trade Marks

All expenditure is charged against income as it is incurred.

VESUVIUS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2003 (Cont)

1. ACCOUNTING POLICIES (Cont)

Deferred Taxation

Deferred taxation is recognised in respect of all timing differences that have originated, but not reversed, at the balance sheet date, with the exception that deferred taxation assets are only recognised if it is considered more likely than not that there will be suitable future profits from which the reversal of the underlying timing differences can be deducted. Provision is made for the tax that would arise on remittance of the retained earnings of overseas subsidiaries only to the extent that, at the balance sheet date, dividends have been accrued as receivable.

Interest in Subsidiaries

Shares in UK subsidiary undertakings are stated at cost less provision for permanent diminution in value.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight-line basis over the period of the lease.

Stocks

Stocks are stated at the lower of cost and estimated net realisable value. Cost of work in progress and finished goods includes appropriate overheads.

Rates of Exchange

Assets and liabilities expressed in foreign currencies are translated into sterling at rates ruling at the period end and trading results at average rates applicable during the period. Exchange gains and losses of a trading nature are dealt with in arriving at profit before taxation. Other gains and losses and translation differences are shown separately as a movement on retained profits.

Derivative Financial Instruments

The company uses a variety of derivative financial instruments as part of an overall risk management strategy. These instruments are used as a means of hedging exposure to a price and foreign currency risk connected to anticipated or contracted sales and purchases. The company does not hold or issue derivative financial instruments for trading purposes.

Gains and losses on contracts hedging forecast transactional cashflows are recognised in the hedged period.

Goodwill

Purchased goodwill is capitalised and amortised over the useful economic life of 20 years.

VESUVIUS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2003 (Cont)

1. ACCOUNTING POLICIES (Cont)

Interest

Interest payable is charged as incurred except where the borrowing finances tangible fixed assets in the course of construction. Such interest is capitalised when installation of the fixed asset commences and is then written off by way of depreciation of the relevant asset.

2. TURNOVER

All turnover derives from the one class of business undertaken, and the profits attributable thereto are shown in the profit and loss account.

The analysis of turnover by geographical market is as follows:

	2003	2002
	£'000	£'000
United Kingdom	45,775	56,382
Rest of Europe	57,282	26,165
Africa	5,313	3,247
Asia	9,821	6,474
Americas	19,803	7,157
Australasia	2,827	1,311
	<u>140,821</u>	<u>100,736</u>

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is arrived at after charging/(crediting) the following:

	2003	2002
	£'000	£'000
Auditors' remuneration – audit	43	41
– non audit	-	37
Depreciation - owned assets	3,554	2,172
Hire of plant and equipment – rentals payable under operating leases	2,383	1,195
Research and development expenditure	1,729	902
Profit on disposal of fixed assets	<u>-</u>	<u>(4,110)</u>

The exceptional cost of sales charges of £698,000 (2002: £435,000) and administration expenses of £250,000 (2002: £678,000) relate to the integration and rationalisation programme following the acquisition of the group by Cookson plc. This programme is now complete.

VESUVIUS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2003 (Cont)

4. DIRECTORS AND EMPLOYEES

	2003	2002
	£'000	£'000
Directors' emoluments	261	69
Director's fees	30	12
Company contributions to pension schemes	<u>29</u>	<u>11</u>
	<u>320</u>	<u>92</u>

At 31st December 2003, one director was a member of the company's defined benefit pension scheme (2002:1).

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £261,000 (2002:£69,000). He is a member of a defined benefit scheme, under which his accrued pension at the year end was £158,000 (2002:£105,000), and his accrued lump sum was £333,000 (£225,000).

	2003	2002
	£'000	£'000
5. STAFF COSTS		
Wages and salaries	27,380	20,677
Social security costs	2,343	1,556
Pension costs	<u>2,743</u>	<u>2,165</u>
	<u>32,466</u>	<u>24,398</u>

The average number of persons employed by the company during the year was:

	2003	2002
	£'000	£'000
Production and distribution	920	686
Administration, accounting and computing	74	44
Sales and marketing	126	80
Research and development	<u>37</u>	<u>24</u>
	<u>1,157</u>	<u>834</u>

VESUVIUS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2003 (Cont)

6. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2003	2002
	£'000	£'000
Amounts receivable on bank accounts	<u>264</u>	<u>153</u>

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2003	2002
	£'000	£'000
Amounts payable on bank loans and overdrafts	57	468
On loans from group undertaking	<u>904</u>	<u>886</u>
	<u>961</u>	<u>1,354</u>

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2003	2002
	£000	£000
UK corporation tax at 30% (2002: 30%)		
Current tax on income for the period	-	-
Adjustments in respect of previous periods	(332)	(1,524)
	<u>(332)</u>	<u>(1,524)</u>
Tax on profit on ordinary activities	<u>(332)</u>	<u>(1,524)</u>

VESUVIUS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2003 (Cont)

8. TAX ON PROFIT ON ORDINARY ACTIVITIES (Cont'd)

Factors affecting the tax charge for the current period

	2003 £000	2002 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	6,291	2,674
	<hr/>	<hr/>
Current tax charge at 30% (2002: 30%)	1,887	802
<i>Effects of:</i>		
Expenses not deductible for tax purposes	1,151	270
Income not taxable for tax purposes	(2,547)	-
Capital allowances for period in excess of depreciation	(1,315)	1,047
Property Sale and Lease back	-	(3,358)
Other timing differences	(44)	6
Net addition to tax losses carried forward or surrender to group companies	868	1,233
Prior year tax credit	(332)	(1,524)
	<hr/>	<hr/>
Total current tax (see above)	(332)	(1,524)
	<hr/>	<hr/>

No tax charge arises on the results for the year due to the availability of corporation tax losses.

The unrecognised deferred tax asset is approximately £5.1m (2002: £4.2m) in respect of operating losses, £ 0.3m (2002: £0.3m) in respect of other timing differences and a liability of £ 1.5m (2002: £0.1m liability) for accelerated capital allowances. If circumstances change in the future resulting in the recoverability of the deferred tax asset becoming more certain the asset will be recognised. This will only be the case if there is persuasive and reliable evidence suggesting that suitable taxable profits will be generated in the future.

VESUVIUS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2003 (Cont)

9. INTANGIBLE FIXED ASSETS

	Goodwill
Cost	
At beginning and end of year	<u>34,257</u>
Depreciation	
At beginning of year	743
Charge for the year	1,784
	<hr/>
At end of year	<u>2,527</u>
NBV at 31 December 2003	<u>31,730</u>
NBV at 31 December 2002	<u>33,514</u>

VESUVIUS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2003 (Cont)

10. TANGIBLE FIXED ASSETS

	Land and Buildings	Plant and vehicles	Assets in the course of construction	Total
	£'000	£'000	£'000	£'000
COST OR VALUATION				
At the beginning of the year	3,922	47,678	165	51,765
Additions	-	-	2,513	2,513
Group transfers	-	-	168	168
Disposals	-	(283)	-	(283)
Re classification	-	1,830	(1,830)	-
At end of year	3,922	49,225	1,016	54,163
DEPRECIATION				
At the beginning of year	236	20,421	-	20,657
Charge	141	3,413	-	3,554
Disposals	-	(235)	-	(235)
At end of year	377	23,599	-	23,976
NBV at 31 December 2003	<u>3,545</u>	<u>25,626</u>	<u>1,016</u>	<u>30,187</u>
NBV at 31 December 2002	<u>3,686</u>	<u>27,257</u>	<u>165</u>	<u>31,108</u>

The value of land not depreciated is £481,000 (2002: £481,000).

VESUVIUS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2003 (Cont)

10. TANGIBLE FIXED ASSETS (cont'd)

The company's fixed assets were valued on the basis of open market value for existing use on 6th August 1999.

Particulars relating to re-valued assets are given below:

	2003	2002
	£'000	£'000
At 1999 open market value	1,137	1,137
Aggregate depreciation thereon	<u>(229)</u>	<u>(113)</u>
Net book value	<u>908</u>	<u>1,024</u>
Historical cost of revalued assets	1,484	1,484
Aggregate depreciation based on historical cost	<u>(1,281)</u>	<u>(1,237)</u>
Historical cost net book value	<u>203</u>	<u>247</u>

11. CAPITAL COMMITMENTS

No provision has been made in these financial statements for the following capital expenditure:

	2003	2002
	£'000	£'000
Expenditure authorised by the board and contracted for	<u>767</u>	<u>882</u>

VESUVIUS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2003

11. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

Shares in group undertakings

	Shares in group Undertakings
	£'000
Cost	
At beginning of year	185,888
Liquidation of certain subsidiaries	<u>(2,008)</u>
At end of year	183,880
Provisions	
At beginning of year	147,970
Liquidation of certain subsidiaries	<u>(305)</u>
At end of year	<u>147,665</u>
NBV at 31 December 2003	<u>36,215</u>
NBV at 31 December 2002	<u>37,918</u>

Principal subsidiary undertakings are shown below. A full list of Group Companies will be included in the Company's Annual Return. The principal activity of all trading group companies is the manufacture and sale of refractory products.

	Country of incorporation or registration
Vesuvius UK (2002) Limited	England
Castolux Limited	England
Injectall Limited	England
ISID Limited	England
Vesuvius-Premier Refractories (Overseas) Limited	England
Dorma Industries Limited	England
Thomas Marshall (Loxley) Limited	England
John G Stein Limited	Scotland

During the year the company undertook an exercise to tidy-up the portfolio of subsidiaries via the payment of a dividend and the writing off of investments. As a result of the exercise £8,492k was paid across as dividends and £1,927k was written off.

VESUVIUS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2003

12. INVESTMENT IN SUBSIDIARY UNDERTAKINGS (Cont'd)

In the opinion of the directors, the aggregate value of investments in the company's subsidiary undertakings is not less than the aggregate of the amount at which those assets are stated in the balance sheet.

All subsidiary undertakings are wholly owned and operate in their country of incorporation or registration.

13. INVESTMENTS

	2003	2002
	£'000	£'000
Cost	<u>9</u>	<u>9</u>

14. STOCKS

	2003	2002
	£'000	£'000
Raw materials and consumables	5,265	5,579
Work in progress	2,706	3,600
Finished goods	<u>4,140</u>	<u>4,917</u>
	<u>12,111</u>	<u>14,096</u>

15. DEBTORS

	2003	2002
	£'000	£'000
Trade debtors	16,502	22,458
Amounts owed by subsidiaries	-	1,699
Amounts owed by other group companies	24,924	27,503
Prepayments and accrued income	<u>2,185</u>	<u>3,955</u>
	<u>43,611</u>	<u>55,615</u>

VESUVIUS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2003

16. CREDITORS (amounts falling due within one year)

	2003	2002
	£'000	£'000
Bank loans and overdrafts	5,422	-
Trade creditors	17,525	21,396
Amounts owed to subsidiaries	36,823	46,789
Amounts owed to other group companies	74,225	100,205
Other taxation and social security	707	745
Accruals and deferred income	<u>2,808</u>	<u>3,882</u>
	<u>137,510</u>	<u>173,017</u>

17. PROVISIONS FOR LIABILITIES AND CHARGES

	Land Restoration	Reorganisation	Total
	£'000	£'000	£'000
At beginning of year	400	1,025	1,425
Utilised in the year	(4)	(1,547)	(1,551)
Charged in the year	<u>-</u>	<u>948</u>	<u>948</u>
At end of year	<u>396</u>	<u>426</u>	<u>822</u>

The provision of £396,000 relates to the estimated costs of restoring an area of land quarried by the company to its original state.

The reorganisation provision represents the costs of various administration related redundancies.

VESUVIUS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2003

18. LEASING COMMITMENTS

Annual commitments in respect of non-cancellable operating leases are as follows:

	2003		2002	
	Land and buildings	Other	Land and buildings	Other
	£'000	£'000	£'000	£'000
Operating leases which expire:				
Within one year	-	64	-	186
Two to five years	29	357	26	402
Over five years	<u>1,804</u>	<u>-</u>	<u>1,806</u>	<u>-</u>
	<u>1,833</u>	<u>421</u>	<u>1,832</u>	<u>588</u>

19. CALLED UP SHARE CAPITAL

	2003	2002
	£'000	£'000
Ordinary shares of £1 each Authorised	<u>12,000</u>	<u>12,000</u>
Allotted, called up and fully paid	<u>12,000</u>	<u>12,000</u>

20. RESERVES

	Revaluation Reserve	Profit and loss Account	Total
	£'000	£'000	£'000
At 31 December 2002	777	(3,852)	(3,075)
Transfer	(72)	72	-
Retained profit for the year	-	6,623	6,623
At 31 December 2003	<u>705</u>	<u>2,843</u>	<u>3,548</u>

VESUVIUS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2003 (Cont)

21. RECONCILIATION OF MOVEMENTS SHAREHOLDER'S FUNDS

	2003	2002
	£'000	£'000
Retained profit for the financial year	<u>6,623</u>	<u>4,198</u>
Net addition to shareholder's funds	6,623	4,198
Opening shareholder's funds	<u>8,925</u>	<u>4,727</u>
Closing shareholder's funds	<u>15,548</u>	<u>8,925</u>

22. PENSION COMMITMENTS

The company operates a defined contribution pension scheme. The pension cost charge represents contributions payable by the company to the fund and amounted to £749,000 (2002: £1,316,000). Contributions amounting to £42,000 (2002: £58,000) were payable to the fund at the period end and are included in creditors.

The company also participates in the UK defined benefit pension scheme operated by its ultimate parent company ('UK Scheme'). As the Company is unable to identify its share of the underlying assets and liabilities of the UK Scheme, it therefore accounts for its membership of the UK Scheme as it would for a defined contributions scheme.

Costs charged in the year in respect of its contributions to the UK Scheme were £1,994,000 (2002: £849,000).

Particulars of the latest actuarial valuation of the UK Scheme, which was carried out by independent qualified actuaries, are included in the accounts of the ultimate parent company, Cookson Group plc. Those accounts also provide the relevant disclosures about the UK Scheme required by Financial Reporting Standard 17, 'Retirement Benefits'.

VESUVIUS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2003 (Cont)

23. ULTIMATE HOLDING COMPANY

As the company is a wholly owned subsidiary undertaking of Cookson Group plc, the company has taken advantage of the exemption contained in FRS8 and has therefore not disclosed transactions or balances with entities which form part of the group.

The company is a subsidiary undertaking of Cookson Group plc, registered in England and Wales.

The largest group in which the results of the company are consolidated is that headed by Cookson Group plc.

The consolidated accounts of this company are available to the public and may be obtained from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ. No other group accounts include the results of the company.

24. COMMITMENTS AND CONTINGENCIES

Amongst others, Vesuvius UK Limited, as a Guarantor, is party to an Amendment and Restatement Agreement (relating to a £450m multicurrency credit agreement dated 5 December 2003), between Cookson Group plc as Borrower and a number of banks ('Lenders'). During 2003 the facility was reduced to £188m and comprised of a £108m multicurrency revolving loan facility and a £80m forward start sterling term loan facility, the latter being available to refinance the Borrower's existing Convertible Bond. As part of this agreement Vesuvius UK Limited jointly and severally guarantees and agrees to pay from time to time on demand any and every sums of money which Cookson Group plc is at any time liable to pay to the Lenders. As at 31 December 2003 £nil was drawn by Cookson Group plc under the credit agreement facility secured on the various assets of Vesuvius UK Limited.

In addition, Vesuvius UK Limited also agreed jointly and severally as a primary obligation to indemnify the Lenders from time to time on demand from and against any loss incurred by the Lenders as a result on any of the obligations of the Cookson Group plc.