

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

VESUVIUS UK LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2010

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COMPANY NO: 54713

VESUVIUS UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

The directors have pleasure in presenting their report and the audited financial statements for the year ended 31 December 2010.

DIVIDENDS

The directors do not recommend payment of a final dividend (2009 £nil) No interim dividend was declared and paid during the year (2009 £nil) The retained profit for the year was £3,471,000 (2009 loss £15,978,000)

DIRECTORS

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

| | |
|-----------------|---------------------|
| R M Sykes | |
| B M H R Massant | |
| Y Nokerman | |
| B R Elliston | |
| RMH Malthouse | - Appointed 17 2 10 |
| RS Fell | - Appointed 17 2.10 |

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The Company is a wholly-owned subsidiary of Cookson Group plc ("Cookson") and operates as part of Cookson's Ceramics division (known in its markets as "Vesuvius")

The Company's principal activities are the manufacture and sale of refractory products to the iron and steel, glassmaking and cement industries in the UK, Europe, Africa, Asia and the Americas

As shown in the Company's profit and loss account on page 8, the Company's turnover has increased over the prior year by 35% to £128,622,000 the major contributory factor being some recovery in the European steel industry (the company's principal market) following the significant downturn in 2009 together with a number of major projects in the Industrial Products sector The profit after tax has increased by £19,449,000 to a profit after taxation of £3,471,000. The major factor being a charge to rationalisation of operating activities of £12,877,000 in 2009 that included the costs of closing the Newmilns plant, redundancy costs at the Chesterfield plant and redundancy and other costs relating to the decision of Corus plc to curtail operations at their Teesside plant

The balance sheet on page 9 of the financial statements shows that the Company's net assets at year - end of £32,706,000 have increased by £3,471,000 this being the reported profit for the year

The Cookson division of which the Company is a part, invests in research and development activities appropriate to the nature and size of its operations with the aim of supporting the future development of the Company, as a part of the division, in the medium to long-term future

VESUVIUS UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010 (Cont)

Cookson manages its operations on a divisional basis. For this reason, the Company's directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the Ceramics division of Cookson, which includes this company, is discussed in Cookson's Annual Report which does not form part of this Report.

PRINCIPAL RISKS AND UNCERTAINTIES

Competitive pressure in Eastern Europe and Asia is a continuing risk for the Company, which could result in it losing sales to its key competitors. To manage this risk, the Company strives to provide added-value products and services to its customers, prompt response times in the supply of products and services and in the handling of customer queries, and through the maintenance of strong relationships with customers.

The Company sells products into international markets and it is therefore exposed to currency movements on such sales. Where appropriate, the Company manages this risk with forward foreign exchange contracts in line with Cookson's treasury policies.

The Company's businesses may be affected by fluctuations in the price and supply of key raw materials, although purchasing policies and practices seek to mitigate, where practicable, such risks.

VESUVIUS UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010 (Cont)

The Company has no external debt but is however party to a number of loans with other group companies (both receivable and payable).

The Group risks to which Cookson is exposed are discussed in Cookson's Annual Report that does not form part of this Report

ENVIRONMENT

Cookson recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to mitigate any adverse impact that might be caused by its activities. The Company operates in accordance with Cookson policies, as noted in Cookson's Annual Report, which does not form part of this Report. Initiatives aimed at minimising the Company's impact on the environment include safe disposal of manufacturing waste, recycling and reducing energy consumption

EMPLOYEES

Details of the number of employees and related costs can be found in note 6 to the financial statements

Applications for employment by disabled persons are considered fully, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees

The Company participates in Cookson's policies and practices to keep employees informed on matters relevant to them as employees through appropriate means, such as employee meetings and newsletters

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

At the year end, there were 54 days (2009. 72 days) purchases in trade creditors

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.

VESUVIUS UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010 (Cont)

AUDITORS

In accordance with Section 487 of the Companies Act 2006, 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

DISCLOSURE OF INFORMATION TO AUDITORS

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

By order of the Board



M SATTERTHWAITE
Secretary

2ND September 2011

Registered Office

1 Midland Way
Barlborough Links
Barlborough
S43 4XA

VESUVIUS UK LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VESUVIUS UK LIMITED

We have audited the financial statements of Vesuvius UK Limited for the year ended 31 December 2010 set out on pages 8 to 25. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the 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

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm.

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 2010 and of the company's profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

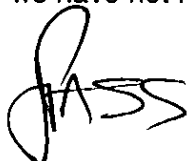
VESUVIUS UK LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VESUVIUS UK LIMITED (Cont)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion.

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



Johnathan Pass (Senior Statutory Auditor)

For and on behalf of

KPMG Audit Plc
Statutory Auditor

Chartered Accountants
1 The Embankment
Leeds
West Yorkshire
LS1 4DW

2/9/2011

VESUVIUS UK LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for 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, enabling them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

VESUVIUS UK LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2010

| | Note | Continuing Operations 2010 £'000 | Discontinued Operations 2010 £'000 | Total £'000 | Continuing Operations 2009 £'000 | Discontinued Operations 2009 £'000 | Total £'000 |
|---|------|---|---|----------------|---|---|----------------|
| Turnover | 2 | 128,622 | - | 128,622 | 91,781 | 3,471 | 95,252 |
| Cost of sales | | (103,404) | - | (103,404) | (74,292) | (3,067) | (77,359) |
| Gross Profit | | 25,218 | - | 25,218 | 17,489 | 404 | 17,893 |
| Distribution costs | | (4,182) | - | (4,182) | (2,425) | - | (2,425) |
| Administrative expenses | | (15,889) | - | (15,889) | (13,983) | - | (13,983) |
| Operating profit | 4 | 5,147 | - | 5,147 | 1,081 | 404 | 1,485 |
| Rationalisation of operating activities | 3 | (770) | - | (770) | (1,623) | (11,254) | (12,877) |
| Loss on disposal of discontinued operation | 3 | - | - | - | - | (134) | (134) |
| Loss relating to tangible fixed assets | 3 | (58) | - | (58) | - | (1,959) | (1,959) |
| Loss relating to intangible fixed assets | 3 | - | - | - | - | (1,949) | (1,949) |
| Interest receivable | 7 | - | - | - | 58 | - | 58 |
| Interest payable | 8 | (711) | - | (711) | (648) | - | (648) |
| Profit/(Loss) on ordinary activities before taxation | | 3,608 | - | 3,608 | (1,132) | (14,892) | (16,024) |
| Tax on profit /(loss) on ordinary activities | 9 | (137) | - | (137) | 46 | - | 46 |
| Profit/(Loss) for the financial year | | 3,471 | - | 3,471 | (1,086) | (14,892) | (15,978) |

In the current financial 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 22.

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

VESUVIUS UK LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2010

| | Notes | 2010 £'000 | 2009 £'000 |
|--|-------|---------------|---------------|
| FIXED ASSETS | | | |
| Intangible assets | 10 | 14,263 | 15,462 |
| Tangible assets | 11 | 5,904 | 5,501 |
| Investment in subsidiary undertakings | 13 | 63 | 63 |
| Investments | 14 | 9 | 9 |
| | | <u>20,239</u> | <u>21,035</u> |
| CURRENT ASSETS | | | |
| Stocks | 15 | 18,607 | 9,350 |
| Debtors – due within one year | 16 | 46,835 | 42,805 |
| Cash at bank and in hand | | 30,276 | 36,707 |
| | | <u>95,718</u> | <u>88,862</u> |
| CREDITORS (amounts falling due within one year) | 17 | (73,988) | (69,112) |
| NET CURRENT ASSETS | | <u>21,730</u> | <u>19,750</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 41,969 | 40,785 |
| CREDITORS (amounts falling due after one year) | 18 | (487) | (256) |
| PROVISIONS FOR LIABILITIES AND CHARGES | 19 | (8,776) | (11,294) |
| NET ASSETS | | <u>32,706</u> | <u>29,235</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 21 | 70,000 | 70,000 |
| Profit and loss account | 22 | (37,294) | (40,765) |
| Shareholders funds | 23 | <u>32,706</u> | <u>29,235</u> |

Approved by the board on 2nd September 2011 and signed on its behalf by:-


R.M. Sykes
Director

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

Registered company number 54713

VESUVIUS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010

1. ACCOUNTING POLICIES

Summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year 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.

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

The directors have prepared the financial statements on a going concern basis. They have arrived at this conclusion after due consideration of forecasts and projections

Consolidation

In accordance with S400 of the Companies Act 2006 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

Tangible Fixed Assets

Tangible fixed assets are stated at cost, 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, 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.

VESUVIUS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (Cont)

1. ACCOUNTING POLICIES (Cont)

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.

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.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Investments

Shares in UK subsidiary undertakings are stated at cost less amounts written off.

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.

VESUVIUS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (Cont)

1. ACCOUNTING POLICIES (Cont)

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.

Impairment of fixed assets

The carrying amounts of the Company's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its income-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account unless it arises on a previously revalued fixed asset. An impairment loss on a revalued fixed asset is recognised in the profit and loss account if it is caused by a clear consumption of economic benefits. Otherwise impairments are recognised in the statement of total recognised gains and losses until the carrying amount reaches the asset's depreciated historic cost.

Impairment losses recognised in respect of income-generating units are allocated first to reduce the carrying amount of any goodwill allocated to income-generating units, then to any capitalised intangible asset and finally to the carrying amount of the tangible assets in the unit on a pro rata or more appropriate basis. An income generating unit is the smallest identifiable group of assets that generates income that is largely independent of the income streams from other assets or groups of assets.

Calculation of recoverable amount

The recoverable amount of fixed assets is the greater of their net realisable value and value in use. In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the rate of return expected on an equally risky investment. For an asset that does not generate largely independent income streams, the recoverable amount is determined for the income-generating unit to which the asset belongs.

VESUVIUS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (Cont)

1. ACCOUNTING POLICIES (Cont)

Classification of financial instruments issued by the Company

Following the adoption of FRS 25, financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions

- a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company, and
- b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds, are dealt with as appropriations in the reconciliation of movements in shareholders' funds

Goodwill

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

VESUVIUS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (Cont)

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 destination is as follows:

| | 2010 | 2009 |
|----------------|----------------|---------------|
| | £'000 | £'000 |
| United Kingdom | 41,589 | 37,457 |
| Rest of Europe | 69,665 | 47,168 |
| Africa | 1,030 | 2,248 |
| Asia | 11,717 | 4,397 |
| Americas | 4,392 | 3,702 |
| Australasia | <u>229</u> | <u>280</u> |
| | <u>128,622</u> | <u>95,252</u> |

All turnover originated in the United Kingdom.

3. EXCEPTIONAL ITEMS REPORTED AFTER OPERATING PROFIT

Rationalisation of operating activities reported in 2009 relates to the following:

- The closure of a production site located at Newmilns, Ayrshire and the withdrawal of Viso and Clay Graphite production in the UK;
- A number of redundancies at the production site located at Chesterfield, Derbyshire due to the economic downturn;
- Redundancy and other costs relating to the decision of Corus plc to curtail operations at their Teesside plant.

Rationalisation of operating activities reported in 2010 relates to further charges related to the closure of Newmilns.

The loss on sale of discontinued operations reported in 2009 related to further costs incurred on the disposal of the net assets and business of the company's Carbon operation based at Bawtry. The initial disposal took place in 2006.

The loss relating to fixed assets of £1,959,000 reported in 2009 represented the scrapping of assets at the Newmilns site.

The loss relating to intangible fixed assets of £1,949,000 reported in 2009 represented the write off of goodwill associated with the Newmilns site.

VESUVIUS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (Cont)

4. OPERATING PROFIT

Operating profit is arrived at after charging the following.

| | 2010 | 2009 |
|--|-------|-------|
| | £'000 | £'000 |
| Auditors' remuneration – audit | 39 | 36 |
| – non audit | - | - |
| Depreciation - owned assets | 639 | 536 |
| Hire of plant and equipment – rentals payable under operating leases | 2,362 | 1,935 |
| Research and development expenditure | 1,977 | 1,466 |
| Amortisation – intangible assets | 1,199 | 1,199 |

5. DIRECTORS AND EMPLOYEES

| | 2010 | 2009 |
|--|------------|------------|
| | £'000 | £'000 |
| Directors' emoluments | 157 | 154 |
| Directors' fees | 61 | 58 |
| Company contributions to pension schemes | <u>21</u> | <u>17</u> |
| | <u>239</u> | <u>229</u> |

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £157,000 (2009, £154,000).

| | 2010 | 2009 |
|-----------------------|---------------|---------------|
| | £'000 | £'000 |
| STAFF COSTS | | |
| Wages and salaries | 18,405 | 19,556 |
| Social security costs | 1,529 | 1,829 |
| Pension costs | <u>1,811</u> | <u>1,810</u> |
| | <u>21,745</u> | <u>23,195</u> |

6. STAFF COSTS

VESUVIUS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (Cont)

6. STAFF COSTS (Continued)

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

| | 2010 | 2009 |
|--|------------|------------|
| Production and distribution | 342 | 452 |
| Administration, accounting and computing | 48 | 43 |
| Sales and marketing | 86 | 77 |
| Research and development | <u>31</u> | <u>26</u> |
| | <u>507</u> | <u>598</u> |

7. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

| | 2010 | 2009 |
|---------------|----------|-----------|
| | £'000 | £'000 |
| Bank interest | <u>=</u> | <u>58</u> |

8. INTEREST PAYABLE AND SIMILAR CHARGES

| | 2010 | 2009 |
|--------------------------------|------------|------------|
| | £'000 | £'000 |
| Bank loans and overdrafts | 24 | 44 |
| Loans from group undertaking | 312 | 339 |
| Charge on discounted provision | 375 | 265 |
| | <u>711</u> | <u>648</u> |

VESUVIUS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (Cont)

9. TAXATION ON PROFIT FROM ORDINARY ACTIVITIES

Analysis of charge in period

| | 2010 £000 | 2009 £000 |
|---|--------------|--------------|
| UK corporation tax at 28% (2009 28%) | | |
| Overseas Tax | 137 | 174 |
| Deferred Tax | - | (220) |
| | <hr/> | <hr/> |
| Tax charge/(credit) on profits from ordinary activities | 137 | (46) |
| | <hr/> | <hr/> |

Factors affecting the tax charge for the current period

| | 2010 £000 | 2009 £000 |
|---|--------------|--------------|
| <i>Current tax reconciliation</i> | | |
| Profit/(Loss) on ordinary activities before tax | 3,608 | (16,024) |
| | <hr/> | <hr/> |
| Current tax charge/(credit) at 28% (2009. 28%) | 1,010 | (4,487) |
| <i>Effects of:</i> | | |
| Overseas tax rate difference | 137 | (46) |
| Expenses not deductible for tax purposes | 360 | 954 |
| Capital allowances for period in excess of depreciation | (890) | (616) |
| Other timing differences | (780) | 2,087 |
| Surrender of losses to group companies | 300 | 2,062 |
| | <hr/> | <hr/> |
| Total current tax (see above) | 137 | (46) |
| | <hr/> | <hr/> |

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

The unrecognised deferred tax asset is approximately £8.1m (2009 £6.2m) in respect of operating losses, £2.8m (2009 £3.7m) in respect of other timing differences and £2.8m (2009. £3.9m) 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 2010 (Cont)

10. INTANGIBLE FIXED ASSETS

| | Goodwill £000 |
|--------------------------------|----------------------|
| Cost | |
| At beginning and end of year | 23,988 |
| | <hr/> |
| Amortisation | |
| At beginning of year | 8,526 |
| Charge for the year | 1,199 |
| | |
| At end of year | <u>9,725</u> |
| NBV at 31 December 2010 | <u><u>14,263</u></u> |
| NBV at 31 December 2009 | <u><u>15,462</u></u> |

VESUVIUS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (Cont)

11. TANGIBLE FIXED ASSETS

| | Land and Buildings | Plant and vehicles | WIP | Total |
|---------------------------------|-----------------------|-----------------------|--------------|--------------|
| | £'000 | £'000 | £'000 | £'000 |
| COST OR VALUATION | | | | |
| At beginning of year | 1,524 | 9,647 | 484 | 11,655 |
| Additions – capital expenditure | - | - | 1,393 | 1,393 |
| Asset impairments | - | - | (4) | (4) |
| Disposals | - | (108) | (341) | (449) |
| Re classification | 213 | 292 | (505) | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At end of year | 1,737 | 9,831 | 1,027 | 12,595 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| DEPRECIATION | | | | |
| At beginning of year | 271 | 5,883 | - | 6,154 |
| Charge | 60 | 579 | - | 639 |
| Disposals | - | (102) | - | (102) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At end of year | <u>331</u> | <u>6,360</u> | <u>-</u> | <u>6,691</u> |
| NBV at 31 December 2010 | <u>1,406</u> | <u>3,471</u> | <u>1,027</u> | <u>5,904</u> |
| NBV at 31 December 2009 | <u>1,253</u> | <u>3,764</u> | <u>484</u> | <u>5,501</u> |

The value of land not depreciated is £nil (2009: £nil).

There is no difference between the book amounts of the assets and their historical cost

VESUVIUS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (Cont)

12. CAPITAL COMMITMENTS

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

| | 2010 | 2009 |
|--|------------|----------|
| | £'000 | £'000 |
| Expenditure authorised by the board and contracted for | <u>924</u> | <u>-</u> |

13. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

Fixed Asset Investments

| | Shares in Group Undertakings |
|--------------------------------|---------------------------------|
| | £'000 |
| Cost | |
| At beginning and end of year | <u>63</u> |
| Provisions | |
| At beginning and end of year | <u>-</u> |
| NBV at 31 December 2010 | <u><u>63</u></u> |
| NBV at 31 December 2009 | <u><u>63</u></u> |

All subsidiary undertakings are shown below (all of which are 100% owned) This company no longer trades

| | Country of incorporation or registration |
|-----------------------------|---|
| S G Blair & Company Limited | England |

VESUVIUS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (Cont)

13. INVESTMENT IN SUBSIDIARY UNDERTAKINGS (Cont)

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

14. INVESTMENTS

| | 2010 | 2009 |
|------|----------|----------|
| | £'000 | £'000 |
| Cost | <u>9</u> | <u>9</u> |

15. STOCKS

| | 2010 | 2009 |
|-------------------------------|---------------|--------------|
| | £'000 | £'000 |
| Raw materials and consumables | 6,891 | 4,086 |
| Work in progress | 324 | 108 |
| Finished goods | <u>11,392</u> | <u>5,156</u> |
| | <u>18,607</u> | <u>9,350</u> |

16. DEBTORS

| | 2010 | 2009 |
|---------------------------------------|---------------|---------------|
| Amounts falling due within one year | £'000 | £'000 |
| Trade debtors | 14,427 | 12,646 |
| Amounts owed by other group companies | 27,534 | 28,582 |
| Prepayments and accrued income | <u>4,874</u> | <u>1,577</u> |
| | <u>46,835</u> | <u>42,805</u> |

VESUVIUS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (Cont)

17. CREDITORS (amounts falling due within one year)

| | 2010 | 2009 |
|---------------------------------------|---------------|---------------|
| | £'000 | £'000 |
| Bank overdraft | - | 417 |
| Trade creditors | 14,838 | 13,591 |
| Amounts owed to subsidiaries | 271 | 271 |
| Amounts owed to other group companies | 56,257 | 50,784 |
| Other taxation and social security | 517 | 565 |
| Accruals and deferred income | <u>2,105</u> | <u>3,484</u> |
| | <u>73,988</u> | <u>69,112</u> |

18. CREDITORS (amounts falling due after one year)

| | 2010 | 2009 |
|------------------------------|------------|------------|
| | £'000 | £'000 |
| Accruals and deferred income | <u>487</u> | <u>256</u> |
| | <u>487</u> | <u>256</u> |

VESUVIUS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (Cont)

19. PROVISIONS FOR LIABILITIES AND CHARGES

| | Reorganisation | Other | Total |
|--|----------------|------------|--------------|
| | £'000 | £'000 | £'000 |
| At beginning of year | 11,138 | 156 | 11,294 |
| Utilised in the year | (3,618) | (45) | (3,663) |
| Charged in the year | 770 | - | 770 |
| Interest charge – discounted provision | 375 | - | 375 |
| At end of year | <u>8,665</u> | <u>111</u> | <u>8,776</u> |

The reorganisation provision includes the following

- The costs of closing the Head Office at 2 Midland Way, Barlborough Links, Derbyshire,
- The costs of the closure of a production site located at Newmilns, Ayrshire and the withdrawal of Viso and Clay Graphite production in the UK,
- The costs of the closure of a production site located at Halifax, Yorkshire
- The costs of closing offices at Tamworth, Staffordshire

The other provision relates principally to environmental matters

VESUVIUS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (Cont)

20. LEASING COMMITMENTS

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

| | 2010 | | 2009 | |
|-------------------------------|-----------------------|------------|-----------------------|------------|
| | Land and buildings | Other | Land and buildings | Other |
| | £'000 | £'000 | £'000 | £'000 |
| Operating leases which expire | | | | |
| Within one year | - | 75 | 5 | 114 |
| Two to five years | 94 | 481 | - | 504 |
| Over five years | <u>1,570</u> | <u>-</u> | <u>1,664</u> | <u>-</u> |
| | <u>1,664</u> | <u>556</u> | <u>1,669</u> | <u>618</u> |

21. CALLED UP SHARE CAPITAL

| | 2010 | 2009 |
|------------------------------------|---------------|---------------|
| | £'000 | £'000 |
| Allotted, called up and fully paid | <u>70,000</u> | <u>70,000</u> |

22. RESERVES

| | Profit and Loss Account |
|---------------------|----------------------------|
| | £'000 |
| At 31 December 2009 | (40,765) |
| Profit for the year | 3,471 |
| At 31 December 2010 | <u>(37,294)</u> |

VESUVIUS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2010 (Cont)

23 RECONCILIATION OF MOVEMENTS SHAREHOLDERS' FUNDS

| | 2010 | 2009 |
|---|---------------|-----------------|
| | £'000 | £'000 |
| Retained profit/(loss) for the financial year | <u>3,471</u> | <u>(15,978)</u> |
| Net addition/(reduction) to shareholders' funds | 3,471 | (15,978) |
| Opening shareholders' funds | <u>29,235</u> | <u>45,213</u> |
| Closing shareholders' funds | <u>32,706</u> | <u>29,235</u> |

24. 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 £1,074,000 (2009 £763,000). Contributions amounting to £152,000 (2009 £65,000) were payable to the fund at the period end and are included in creditors.

The Company also participated 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. This scheme closed on 31st July 2010. Costs charged in the year in respect of its contributions to the UK Scheme were £737,000 (2009 £1,047,000).

Particulars of the latest actuarial valuation and deficit 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.

25. 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 whose address is 165 Fleet Street, London, EC4A 2AE.

The consolidated accounts of this company are available to the public and may be obtained from Companies House, Crown Way, Mandy, Cardiff, CF14 3UZ. No other group accounts include the results of the Company.