

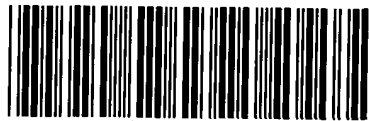
Registration number: 54713

Vesuvius UK Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2015

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Vesuvius UK Limited

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Vesuvius UK Limited

Company Information

Directors Michael Satterthwaite
Henry Knowles
Kim Fong Siow
William Patterson
Sunderrajan Venkatraman

Company secretary Michael Satterthwaite

Registered office 1 Midland Way
Barlborough Links
Barlborough
Chesterfield
Derbyshire
S43 4XA

Auditors KPMG LLP
1 Sovereign Square
Sovereign Street
Leeds
West Yorkshire
LS1 4DA

Vesuvius UK Limited

Strategic Report for the Year Ended 31 December 2015

The directors present their strategic report for the year ended 31 December 2015.

Fair review of the business

The Company is a wholly owned subsidiary of Vesuvius plc ("Vesuvius").

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

As shown in the Company's profit and loss account on page 7, the Company's turnover has decreased by £18,126,000 to £130,050,000. This was due to a significant slowdown in the European steel market. In addition, a major customer; Sahaviriya Steel Industries UK (SSI) went into administration in September 2015. The profit after tax has decreased by £5,338,000 to £6,669,000. This was due in part to the decrease in sales. In addition, the company incurred a rationalisation charge of £1,792,000 and a fixed asset write down of £113,000.

The balance sheet on page 9 of the financial statements shows that the Company's net assets at year end of £68,605,000 has increased by £6,669,000, this being the reported profit of the year.

Vesuvius 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 in the medium to long term future.

Vesuvius manages its operations on a group 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 Group is discussed in the Vesuvius plc 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. The management of this risk resides with Vesuvius plc.

The Company's business 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.

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 Vesuvius plc is exposed are discussed in Vesuvius plc's Annual Report that does not form part of this Report.

Approved by the Board on 28 September 2016 and signed on its behalf by:

Vesuvius UK Limited

Strategic Report for the Year Ended 31 December 2015

A handwritten signature in black ink, appearing to read 'MS', followed by a long horizontal line extending to the right.

.....
Michael Satterthwaite
Company secretary

Vesuvius UK Limited

Directors Report for the Year Ended 31 December 2015

The directors present their report and the financial statements for the year ended 31 December 2015.

Directors of the company

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

Richard Sykes (resigned 31 March 2015)

Yves Nokerman (resigned 30 April 2015)

Michael Satterthwaite

Henry Knowles

Kim Fong Siow

Nicolas Mathei (appointed 27 February 2015 and resigned 7 September 2016)

William Patterson (appointed 11 May 2015)

The following director was appointed after the year end:

Sunderrajan Venkatraman (appointed 15 September 2016)

Employment of disabled persons

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 Vesuvius policies and practices to keep employees informed on matters relevant to them as employees through appropriate means, such as employee meetings and newsletters.

Research and development

The Company continues its commitment in the area of research and development in terms of both existing product lines and a range of new products on behalf of group companies. Expenditure on research and development during 2015 was £4,029,000 (2014: £4,093,000).

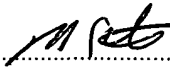
Branches outside the United Kingdom

The Company has a branch in Seoul, South Korea.

Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Approved by the Board on 28 September 2016 and signed on its behalf by:


.....
Michael Satterthwaite
Company secretary

Vesuvius UK Limited

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual 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 United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' ('FRS 101'). 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether FRS 101 has been followed, subject to any material departures disclosed and explained in the financial statements; 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 and enable 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

Independent Auditor's Report

We have audited the financial statements of Vesuvius UK Limited for the year ended 31 December 2015, set out on pages 8 to 31. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework'.

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 auditor

As explained more fully in the Statement of Directors' Responsibilities (set out on page 5), 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 to the financial statements.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom 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 Strategic Report and Directors Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

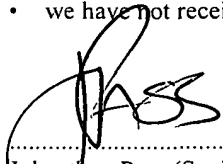
Vesuvius UK Limited

Independent Auditor's Report

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 LLP, Statutory Auditor

1 Sovereign Square
Sovereign Street
Leeds
West Yorkshire
LS1 4DA

Date: 26/9/2016

Vesuvius UK Limited

Profit and Loss Account for the Year Ended 31 December 2015

| | Note | 2015 £ 000 | 2014 £ 000 |
|---|------|---------------------|----------------------|
| Turnover | 4 | 130,050 | 148,176 |
| Cost of sales | | <u>(103,735)</u> | <u>(116,920)</u> |
| Gross profit | | 26,315 | 31,256 |
| Distribution costs | | (1,253) | (1,394) |
| Administrative expenses | | <u>(16,151)</u> | <u>(17,445)</u> |
| Trading profit | | <u>8,911</u> | <u>12,417</u> |
| Loss on disposal of property, plant and equipment | | (113) | - |
| Costs of reorganisation and restructuring | | <u>(1,792)</u> | <u>-</u> |
| Operating profit | | 7,006 | 12,417 |
| Interest payable and similar charges | 7 | <u>(246)</u> | <u>(252)</u> |
| Profit before tax | | 6,760 | 12,165 |
| Tax on profit on ordinary activities | 11 | <u>(91)</u> | <u>(158)</u> |
| Profit for the year | | <u><u>6,669</u></u> | <u><u>12,007</u></u> |

The above results were derived from continuing operations.

The notes on pages 13 to 31 form an integral part of these financial statements.

Vesuvius UK Limited

Statement of Comprehensive Income for the Year Ended 31 December 2015

| | Note | 2015 £ 000 | 2014 £ 000 |
|---|------|---------------------|----------------------|
| Profit for the year | | <u>6,669</u> | <u>12,007</u> |
| Total comprehensive income for the year | | <u><u>6,669</u></u> | <u><u>12,007</u></u> |

The notes on pages 13 to 31 form an integral part of these financial statements.

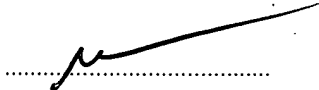
Vesuvius UK Limited
(Registration number: 54713)
Balance Sheet as at 31 December 2015

| | Note | 31 December 2015 £ 000 | 31 December 2014 £ 000 |
|--|------|------------------------------|------------------------------|
| Fixed assets | | | |
| Intangible assets | 13 | 10,675 | 10,675 |
| Property, plant and equipment | 12 | 6,472 | 6,793 |
| Investments | 14 | 63 | 63 |
| Debtors | 16 | 70,325 | 62,971 |
| | | <u>87,535</u> | <u>80,502</u> |
| Current assets | | | |
| Stocks | 15 | 11,743 | 16,310 |
| Debtors | 16 | 21,906 | 30,700 |
| Cash at bank and in hand | 17 | 62 | 417 |
| | | <u>33,711</u> | <u>47,427</u> |
| Creditors: Amounts falling due within one year | | | |
| Trade and other payables | 23 | (15,569) | (26,058) |
| Loans and borrowings | 19 | (7,418) | (9,583) |
| Creditors: Amounts falling due within one year | | <u>(22,987)</u> | <u>(35,641)</u> |
| Net current assets | | <u>10,724</u> | <u>11,786</u> |
| Total assets less current liabilities | | <u>98,259</u> | <u>92,288</u> |
| Creditors: Amounts falling due after more than one year | | | |
| Trade and other payables | 23 | (25,641) | (25,848) |
| Creditors: Amounts falling due after more than one year | | <u>(25,641)</u> | <u>(25,848)</u> |
| Provisions for liabilities | 22 | (4,013) | (4,504) |
| Net assets | | <u>68,605</u> | <u>61,936</u> |
| Capital and reserves | | | |
| Called up share capital | 18 | 70,000 | 70,000 |
| Profit and loss account | | <u>(1,395)</u> | <u>(8,064)</u> |
| Shareholders' funds | | <u>68,605</u> | <u>61,936</u> |

Approved by the Board on 28 September 2016 and signed on its behalf by:

Vesuvius UK Limited

(Registration number: 54713)
Balance Sheet as at 31 December 2015



.....
William Patterson
Director

Vesuvius UK Limited

Statement of Changes in Equity for the Year Ended 31 December 2015

| | Share capital £ 000 | Retained earnings £ 000 | Total £ 000 |
|----------------------------|--------------------------------|--|------------------------|
| At 1 January 2015 | 70,000 | (8,064) | 61,936 |
| Profit for the year | - | 6,669 | 6,669 |
| Total comprehensive income | - | 6,669 | 6,669 |
| At 31 December 2015 | 70,000 | (1,395) | 68,605 |
| | Share capital £ 000 | Retained earnings £ 000 | Total £ 000 |
| At 1 January 2014 | 70,000 | (20,071) | 49,929 |
| Profit for the year | - | 12,007 | 12,007 |
| Total comprehensive income | - | 12,007 | 12,007 |
| At 31 December 2014 | 70,000 | (8,064) | 61,936 |

The notes on pages 13 to 31 form an integral part of these financial statements.

Vesuvius UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

1 General information

The company is a private company limited by share capital incorporated and domiciled in England.

The address of its registered office is:

1 Midland Way
Barlborough Links
Barlborough
Chesterfield
Derbyshire
S43 4XA

These financial statements were authorised for issue by the Board on 28 September 2016.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework 'FRS 101'. The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs'), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position and financial performance of the Company is provided in note 25.

During the year, the Company has split out the amounts owed by/to group undertakings into current and non-current, to be in line with the expected repayment timeframe.

The Company's ultimate parent undertaking, Vesuvius plc, includes the Company in its consolidated financial statements. The consolidated financial statements of Vesuvius plc are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from 165 Fleet Street, London EC4A 2AE.

Vesuvius UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

Summary of disclosure exemptions

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for tangible fixed assets and intangible fixed assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of Key Management Personnel.

As the consolidated financial statements of Vesuvius plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of group settled share based payments;
- Certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets;
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the next twelve months. Accordingly, they continue to adopt a going concern basis in preparing the financial statements.

Changes in accounting policy

The impact of standards, interpretations and amendments effective for the first time from 1 January 2015 are disclosed in note 27 "Transition to FRS 101".

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the company's activities. Revenue is shown net of sales/value added tax, returns, rebates and discounts and after eliminating sales within the company.

The company recognises revenue when:

The amount of revenue can be reliably measured;
it is probable that future economic benefits will flow to the entity;
and specific criteria have been met for each of the company activities.

Foreign currency transactions and balances

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Vesuvius UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

Tax

The tax expense for the period comprises current tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

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. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Property, plant and equipment

Property, plant and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

| Asset class | Depreciation method and rate |
|-------------------------------------|------------------------------|
| Buildings | 25 years straight line |
| Other property, plant and equipment | 10 - 15 years straight line |

Intangible assets

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each reporting period date.

Goodwill is not subject to amortisation but is tested for impairment.

Negative goodwill arising on an acquisition is recognised directly in the income statement. On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss recognised in the income statement on disposal.

Research and development

Expenditure on research activities is recognised in the profit and loss as an expense as incurred. The Company has not incurred any development costs that satisfy all criteria allowing the costs to be capitalised as an intangible fixed asset.

Investments

Investments in subsidiary undertakings are stated at cost, less any impairment in value.

Vesuvius UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Borrowings

All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Vesuvius UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

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

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Leases

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a separate entity and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans contributions are paid publicly or privately administered pension insurance plans on a mandatory or contractual basis. The contributions are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as an asset.

Derivatives and hedging

The Company uses derivative financial instruments in the form of forward foreign currency contracts and interest rate swaps to manage the effects of its exposure to fluctuations in foreign exchange rates and interest rates on its borrowings. In accordance with its treasury policy, the Company does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are measured at fair value. The method of recognising the gain or loss on remeasurement to fair value depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item hedged.

The fair value of forward foreign currency contracts is calculated using quoted market prices at the balance sheet date. The fair value of interest rate swaps is the estimated amount that the Company would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the creditworthiness of the swap counterparties.

Vesuvius UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

3 Critical accounting judgements and key sources of estimation uncertainty

Determining the carrying amount of some assets and liabilities requires estimation of uncertain future events. The major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets or liabilities are noted below.

Goodwill and other intangible assets

The Directors use their judgement to determine the extent to which goodwill and other capitalised intangible assets have a value that will benefit the performance of the Company over future periods. To assist in making this judgement, the Directors undertake an assessment, at least annually, of the carrying value of the Company's capitalised goodwill and other intangible assets.

Provisions

The Company has onerous lease provisions relating to two unoccupied properties and the provisions reflect the Directors' best estimate of costs likely to be incurred between the balance sheet date and the expiry of the lease. To assist in making this judgement, the Directors undertake an estimate, at least annually, of the costs likely to be incurred to the expiry of the respective leases.

Deferred tax

The Company recognises deferred tax assets in respect of unutilised losses and other timing differences between the treatment of certain items for taxation and accounting purposes to the extent that there is persuasive and reliable evidence suggesting that sustainable taxable profits will be generated in the future. In deciding whether to recognise a deferred tax asset on the balance sheet account is taken of future forecasts of taxable profits.

4 Revenue

The analysis of the company's revenue for the year from continuing operations is as follows:

| | 2015 £ 000 | 2014 £ 000 |
|---------------|----------------|----------------|
| Sale of goods | <u>130,050</u> | <u>148,176</u> |

5 Other gains and losses

The analysis of the company's other gains and losses for the year is as follows:

| | 2015 £ 000 | 2014 £ 000 |
|--|----------------|---------------|
| Gain (loss) on disposal of property, plant and equipment | (113) | - |
| Gain (loss) from changes in provisions | <u>(1,792)</u> | <u>-</u> |
| | <u>(1,905)</u> | <u>-</u> |

Vesuvius UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

The loss on disposal of property, plant and equipment arose following the decision to transfer the production of certain items to a different manufacturing line.

The 2015 restructuring charges were £1,792,000 (2014: nil). The charge reflected redundancy costs of £2,004,000 and costs of closing certain operations within existing plants of £288,000. This was partially offset by the release of part of an onerous lease provision of £500,000.

6 Operating profit

Arrived at after charging/(crediting)

| | 2015 £ 000 | 2014 £ 000 |
|---|---------------|---------------|
| Depreciation expense | 1,136 | 1,095 |
| Research and development cost | 4,029 | 4,093 |
| Operating lease expense - other | 2,569 | 2,569 |
| Loss on disposal of property, plant and equipment | <u>113</u> | <u>-</u> |

7 Interest payable and similar charges

| | 2015 £ 000 | 2014 £ 000 |
|---|---------------|---------------|
| Interest on bank overdrafts and borrowings | 117 | 35 |
| Interest expense on other financing liabilities | <u>129</u> | <u>217</u> |
| | <u>246</u> | <u>252</u> |

8 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

| | 2015 £ 000 | 2014 £ 000 |
|--|---------------|---------------|
| Wages and salaries | 17,363 | 16,433 |
| Social security costs | 1,488 | 1,468 |
| Pension costs, defined contribution scheme | <u>1,811</u> | <u>1,761</u> |
| | <u>20,662</u> | <u>19,662</u> |

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

Vesuvius UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

| | 2015 No. | 2014 No. |
|-----------------------------------|-------------|-------------|
| Production | 212 | 208 |
| Administration and support | 51 | 54 |
| Research and development | 29 | 30 |
| Sales, marketing and distribution | 90 | 90 |
| | <u>382</u> | <u>382</u> |

9 Directors' remuneration

The directors' remuneration for the year was as follows:

| | 2015 £ 000 | 2014 £ 000 |
|--|---------------|---------------|
| Remuneration | 295 | 342 |
| Contributions paid to money purchase schemes | 42 | 44 |
| | <u>337</u> | <u>386</u> |

In respect of the highest paid director:

| | 2015 £ 000 | 2014 £ 000 |
|--|---------------|---------------|
| Remuneration | 132 | 189 |
| Company contributions to money purchase pension schemes | 21 | 30 |
| Defined benefit accrued pension entitlement at the end of the period | 41 | 23 |
| Defined benefit accrued lump sum at the end of the period | 207 | 117 |

10 Auditors' remuneration

| | 2015 £ 000 | 2014 £ 000 |
|-----------------------------------|---------------|---------------|
| Audit of the financial statements | <u>35</u> | <u>35</u> |

11 Income tax

Tax charged/(credited) in the income statement

| | 2015 £ 000 | 2014 £ 000 |
|-------------|---------------|---------------|
| Foreign tax | <u>91</u> | <u>158</u> |

Vesuvius UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2014 - lower than the standard rate of corporation tax in the UK) of 20.25% (2014 - 21.5%).

The differences are reconciled below:

| | 2015 £ 000 | 2014 £ 000 |
|---|---------------|---------------|
| Profit before tax | 6,760 | 12,165 |
| Corporation tax at standard rate | 1,369 | 2,615 |
| Increase (decrease) from effect of capital allowances depreciation | (115) | (199) |
| Increase (decrease) from effect of expenses not deductible in determining taxable profit (tax loss) | (80) | 43 |
| Tax decrease from utilisation of tax losses | (1,086) | (2,437) |
| Increase (decrease) arising from overseas tax suffered (expensed) | 91 | 158 |
| Other tax effects for reconciliation between accounting profit and tax expense (income) | (88) | (22) |
| Total tax charge | 91 | 158 |

Factors that may affect future tax charges

Further UK corporation tax rate reductions to 19% from 1st April 2017 and 18% from 1st April 2020 were substantively enacted on 26th October 2015.

The unrecognised deferred tax asset is approximately £1.4m (2014: £2.4m) in respect of operating losses, £1.0m (2014: £1.1m) in respect of other timing differences and £0.5m (2014: £0.6m) for accelerated capital allowances. If the circumstances change in the future resulting in the recoverability becoming more certain, the asset will be recognised. This will only be the case if there is persuasive and reliable evidence suggesting that sustainable taxable profits will be generated in the future.

12 Property, plant and equipment

| | Land and buildings £ 000 | Assets under construction £ 000 | Other property, plant and equipment £ 000 | Total £ 000 |
|--------------------------|--------------------------------|---------------------------------------|--|----------------|
| Cost or valuation | | | | |
| At 1 January 2015 | 1,811 | 365 | 13,086 | 15,262 |
| Additions | - | 936 | - | 936 |
| Disposals | - | - | (466) | (466) |
| Transfers | 64 | (874) | 810 | - |
| At 31 December 2015 | 1,875 | 427 | 13,430 | 15,732 |
| Depreciation | | | | |

Vesuvius UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

| | Land and buildings £ 000 | Assets under construction £ 000 | Other property, plant and equipment £ 000 | Total £ 000 |
|------------------------|--------------------------------|---------------------------------------|--|----------------|
| At 1 January 2015 | 516 | - | 7,953 | 8,469 |
| Charge for the year | 101 | - | 1,035 | 1,136 |
| Eliminated on disposal | - | - | (345) | (345) |
| At 31 December 2015 | <u>617</u> | <u>-</u> | <u>8,643</u> | <u>9,260</u> |
| Carrying amount | | | | |
| At 31 December 2015 | <u>1,258</u> | <u>427</u> | <u>4,787</u> | <u>6,472</u> |
| At 31 December 2014 | <u>1,295</u> | <u>365</u> | <u>5,133</u> | <u>6,793</u> |

13 Intangible assets

| | Goodwill £ 000 | Other intangible assets £ 000 | Total £ 000 |
|--------------------------|-------------------|--|----------------|
| Cost or valuation | | | |
| At 1 January 2015 | <u>23,988</u> | <u>9</u> | <u>23,997</u> |
| At 31 December 2015 | <u>23,988</u> | <u>9</u> | <u>23,997</u> |
| Amortisation | | | |
| At 1 January 2015 | <u>13,322</u> | <u>-</u> | <u>13,322</u> |
| At 31 December 2015 | <u>13,322</u> | <u>-</u> | <u>13,322</u> |
| Carrying amount | | | |
| At 31 December 2015 | <u>10,666</u> | <u>9</u> | <u>10,675</u> |
| At 31 December 2014 | <u>10,666</u> | <u>9</u> | <u>10,675</u> |

14 Investments

Vesuvius UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

| | |
|--------------------------|--------------|
| Subsidiaries | £ 000 |
| Cost or valuation | |
| At 1 January 2014 | <u>63</u> |
| At 31 December 2014 | <u>63</u> |
| At 1 January 2015 | <u>63</u> |
| At 31 December 2015 | <u>63</u> |
| Provision | |
| Carrying amount | |
| At 31 December 2015 | <u>63</u> |
| At 1 January 2014 | <u>63</u> |

Details of the subsidiaries as at 31 December 2015 are as follows:

| Name of subsidiary | Principal activity | Country of incorporation and principal place of business | Proportion of ownership interest and voting rights held | |
|--|--------------------|--|---|------|
| | | | 2015 | 2014 |
| SG Blair & Company Holding Company Limited | | England | 100% | 100% |

15 Inventories

| | 31 December 2015 £ 000 | 31 December 2014 £ 000 |
|-------------------------------------|------------------------------|------------------------------|
| Raw materials and consumables | 4,334 | 6,432 |
| Work in progress | 478 | 675 |
| Finished goods and goods for resale | <u>6,931</u> | <u>9,203</u> |
| | <u>11,743</u> | <u>16,310</u> |

The net inventories of £11,743,000 includes a provision for obsolete stock of £952,000 (2014: £629,000).

16 Trade and other receivables

| | 31 December 2015 £ 000 | 31 December 2014 £ 000 |
|--|------------------------------|------------------------------|
| Non-current trade and other receivables | | |
| Receivables from related parties | <u>70,325</u> | <u>62,971</u> |

Vesuvius UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

| | 31 December 2015 £ 000 | 31 December 2014 £ 000 |
|--|------------------------------|------------------------------|
| Current trade and other receivables | | |
| Trade receivables | 15,451 | 16,490 |
| Receivables from related parties | 3,045 | 10,637 |
| Accrued income | 3,410 | 3,573 |
| Total current trade and other receivables | <u>21,906</u> | <u>30,700</u> |

Credit Risk

The exposure to credit risk is limited to current trade and other receivables disclosed above and cash and cash equivalents disclosed in note 17 below.

Vesuvius UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

Trade receivables above include amounts (detailed below) that are past due at the end of the reporting period and which an allowance for doubtful debts has not been recognised as the amounts are still considered recoverable and there hasn't been a significant change in credit quality.

Age of trade receivables that are past due but not impaired

| | 31 December 2015 £ 000 | 31 December 2014 £ 000 |
|----------------|------------------------------|------------------------------|
| 7 to 30 days | 59 | 1,786 |
| 31 to 60 days | 314 | 442 |
| 61 to 90 days | 92 | 57 |
| 91 to 120 days | 223 | 181 |
| | <u>688</u> | <u>2,466</u> |

The provision for impairment of trade receivables (analysed below) is the difference between the carrying value and the present value of the expected proceeds.

Age of impaired trade receivables

| | 31 December 2015 £ 000 | 31 December 2014 £ 000 |
|----------------|------------------------------|------------------------------|
| 7 to 30 days | 4 | - |
| 31 to 60 days | 14 | 7 |
| 61 to 90 days | 415 | - |
| 91 to 120 days | 591 | 24 |
| | <u>1,024</u> | <u>31</u> |

17 Cash and cash equivalents

| | 31 December 2015 £ 000 | 31 December 2014 £ 000 |
|--|------------------------------|------------------------------|
| Cash at bank | 62 | 417 |
| Bank overdrafts | <u>(7,418)</u> | <u>(9,583)</u> |
| Cash and cash equivalents in statement of cash flows | <u>(7,356)</u> | <u>(9,166)</u> |

Vesuvius UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

18 Share capital

Allotted, called up and fully paid shares

| | 2015 | | 2014 | |
|----------------------------|---------------|---------------|---------------|---------------|
| | No. 000 | £ 000 | No. 000 | £ 000 |
| Ordinary shares of £1 each | <u>70,000</u> | <u>70,000</u> | <u>70,000</u> | <u>70,000</u> |

19 Loans and borrowings

| | 31 December 2015 £ 000 | 31 December 2014 £ 000 |
|------------------------------|------------------------------|------------------------------|
| Current loans and borrowings | | |
| Bank overdrafts | <u>7,418</u> | <u>9,583</u> |

20 Obligations under leases and hire purchase contracts

Operating leases

The total future value of minimum lease payments is as follows:

| | 2015 £ 000 | 2014 £ 000 |
|----------------------|---------------|---------------|
| Within one year | 2,262 | 2,363 |
| In two to five years | 6,037 | 6,056 |
| In over five years | <u>1,143</u> | <u>2,016</u> |
| | <u>9,442</u> | <u>10,435</u> |

The amount of non-cancellable operating lease payments recognised as an expense during the year was £2,569,000 (2014 - £2,569,000)

21 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £1,811,000 (2014 - £1,761,000).

22 Other provisions

Vesuvius UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

| | Other provisions £ 000 |
|---|------------------------------|
| At 1 January 2015 | 4,504 |
| Additional provisions | 1,792 |
| Provisions used | (2,412) |
| Increase (decrease) due to passage of time or unwinding of discount | 129 |
| At 31 December 2015 | <u>4,013</u> |

23 Trade and other payables

| | 31 December 2015 £ 000 | 31 December 2014 £ 000 |
|---|---------------------------------------|---------------------------------------|
| Non-current trade and other payables | | |
| Amounts due to related parties | 25,151 | 25,151 |
| Accrued expenses and other payables | 490 | 697 |
| | <u>25,641</u> | <u>25,848</u> |
| | 31 December 2015 £ 000 | 31 December 2014 £ 000 |
| Current trade and other payables | | |
| Trade payables | 9,103 | 12,415 |
| Accrued expenses | 2,966 | 3,562 |
| Amounts due to related parties | 3,002 | 9,599 |
| Social security and other taxes | 498 | 482 |
| | <u>15,569</u> | <u>26,058</u> |

24 Commitments

Capital commitments

The total amount contracted for but not provided in the financial statements was £123,000 (2014 - £247,000).

25 Related party transactions

As the Company is a wholly owned subsidiary of Vesuvius plc, the Company has taken advantage of the exemption contained in FRS 101 and has therefore not disclosed transactions or balances with entities which form part of the Vesuvius plc group.

Vesuvius UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

26 Parent and ultimate parent undertaking

The company's immediate parent is Vesuvius-Premier Refractories (Holdings) Limited.

The most senior parent entity producing publicly available financial statements is Vesuvius plc. These financial statements are available upon request from the Company Secretary, Vesuvius plc, 165 Fleet Street, London EC4A 2AE

27 Transition to FRS 101

Following changes made in transition to FRS 101:

1. Amortisation of goodwill stopped on transition date of 1st January 2014 to be replaced by an annual impairment review.
2. Derivative financial asset recognised on the opening prior year balance sheet (no equivalent derivative financial asset on the closing prior year balance sheet).
3. Rentals payable under operating leases are now charged to the profit and loss account on a straight line basis over the lease term.

Vesuvius UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

Balance sheet at 1 January 2014

| Note | As originally reported £ 000 | Reclassification £ 000 | Remeasurement £ 000 | As restated £ 000 |
|---|------------------------------------|---------------------------|------------------------|----------------------|
| Fixed assets | | | | |
| Intangible assets | 10,666 | - | - | 10,666 |
| Tangible fixed assets | 6,988 | - | - | 6,988 |
| Investments | 72 | - | - | 72 |
| Debtors | - | 61,148 | - | 61,148 |
| | <u>17,726</u> | <u>61,148</u> | <u>-</u> | <u>78,874</u> |
| Current assets | | | | |
| Stocks | 15,819 | - | - | 15,819 |
| Debtors | 92,810 | (61,148) | - | 31,662 |
| Derivative financial instruments | - | - | 299 | 299 |
| Cash at bank and in hand | 965 | - | - | 965 |
| | <u>109,594</u> | <u>(61,148)</u> | <u>299</u> | <u>48,745</u> |
| Creditors: Amounts falling due within one year | <u>(71,083)</u> | <u>47,110</u> | <u>(795)</u> | <u>(24,768)</u> |
| Net current assets/(liabilities) | <u>38,511</u> | <u>(14,038)</u> | <u>(496)</u> | <u>23,977</u> |
| Total assets less current liabilities | 56,237 | 47,110 | (496) | 102,851 |
| Creditors: Amounts falling due after more than one year | (760) | (47,110) | - | (47,870) |
| Provisions for liabilities | <u>(5,052)</u> | <u>-</u> | <u>-</u> | <u>(5,052)</u> |
| Net assets/(liabilities) | <u>50,425</u> | <u>-</u> | <u>(496)</u> | <u>49,929</u> |
| Capital and reserves | | | | |
| Share capital | (70,000) | - | - | (70,000) |
| Profit and loss account | <u>19,575</u> | <u>-</u> | <u>496</u> | <u>20,071</u> |
| Shareholders' funds/(deficit) | <u>(50,425)</u> | <u>-</u> | <u>496</u> | <u>(49,929)</u> |

Vesuvius UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

Balance sheet at 31 December 2014

| | Note | As originally reported £ 000 | Reclassification £ 000 | Remeasurement £ 000 | As restated £ 000 |
|---|------|------------------------------------|---------------------------|------------------------|----------------------|
| Fixed assets | | | | | |
| Intangible assets | | 9,469 | 9 | 1,197 | 10,675 |
| Tangible fixed assets | | 6,793 | - | - | 6,793 |
| Investments | | 72 | (9) | - | 63 |
| Debtors | | - | 62,971 | - | 62,971 |
| | | <u>16,334</u> | <u>62,971</u> | <u>1,197</u> | <u>80,502</u> |
| Current assets | | | | | |
| Stocks | | 16,310 | - | - | 16,310 |
| Debtors | | 93,671 | (62,971) | - | 30,700 |
| Cash at bank and in hand | | 417 | - | - | 417 |
| | | <u>110,398</u> | <u>(62,971)</u> | <u>-</u> | <u>47,427</u> |
| Creditors: Amounts falling due within one year | | <u>(60,035)</u> | <u>25,151</u> | <u>(757)</u> | <u>(35,641)</u> |
| Net current assets/(liabilities) | | <u>50,363</u> | <u>(37,820)</u> | <u>(757)</u> | <u>11,786</u> |
| Total assets less current liabilities | | 66,697 | 25,151 | 440 | 92,288 |
| Creditors: Amounts falling due after more than one year | | (697) | (25,151) | - | (25,848) |
| Provisions for liabilities | | <u>(4,504)</u> | <u>-</u> | <u>-</u> | <u>(4,504)</u> |
| Net assets/(liabilities) | | <u>61,496</u> | <u>-</u> | <u>440</u> | <u>61,936</u> |
| Capital and reserves | | | | | |
| Share capital | | (70,000) | - | - | (70,000) |
| Profit and loss account | | 8,504 | - | (440) | 8,064 |
| Shareholders' funds/(deficit) | | <u>(61,496)</u> | <u>-</u> | <u>(440)</u> | <u>(61,936)</u> |

Vesuvius UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2015

Profit and loss account for the year ended 31 December 2014

| | Note | As originally reported £ 000 | Remeasurement £ 000 | As restated £ 000 |
|--------------------------------------|------|------------------------------------|------------------------|----------------------|
| Turnover | | 148,176 | - | 148,176 |
| Cost of sales | | <u>(116,920)</u> | <u>-</u> | <u>(116,920)</u> |
| Gross profit/(loss) | | 31,256 | - | 31,256 |
| Distribution costs | | (1,394) | - | (1,394) |
| Administrative expenses | | <u>(18,381)</u> | <u>936</u> | <u>(17,445)</u> |
| Operating profit/(loss) | | 11,481 | 936 | 12,417 |
| Interest payable and similar charges | | <u>(252)</u> | <u>-</u> | <u>(252)</u> |
| Profit/(loss) before tax | | 11,229 | 936 | 12,165 |
| Tax on profit on ordinary activities | | <u>(158)</u> | <u>-</u> | <u>(158)</u> |
| Profit/(loss) for the financial year | | <u><u>11,071</u></u> | <u><u>936</u></u> | <u><u>12,007</u></u> |